



CYPEN & CYPEN NEWSLETTER for August 20, 2020

Copyright, 1996-2020, all rights reserved
Stephen H. Cypen, Esq., Founding Editor
Robert D. Klausner, Esq., Senior Editor

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

1. AMERICA'S PUBLIC PENSION CHALLENGES CAN BE FIXED -CANADA IS PROOF:

There are about 5,300 public pension funds in the U.S. today, overseeing some \$4 trillion in assets. The 25 largest account for more than half the total. The rest of the market is highly fragmented, with thousands of public pension portfolios managed independently and locally. Fragmentation results in less efficient portfolios and higher operating costs, potentially leading to lower net returns and ultimately a greater funding burden on taxpayers. Especially given the impact of Covid-19 on public finances, there must be a better way.

In a comparative study of the largest U.S. and Canadian public pension plans, we explored pension reform in Canada in the late 1980s and 1990s. Prior to those reforms, Canadian policymakers worried about the integrity of the country's public pension system. Decades

later, the system is considered among the best in the world. Our data show that on almost all metrics the Canadians outperform their U.S. peers, so the Canadian experience offers some useful lessons for reforming the American public pension system.

One of the key lessons is that scale matters, and there are ways to achieve scale even for smaller pension funds through the pooling of assets. We call this the consortium model of pension system design.

Larger pension pools allow for staffing investment teams that exceed critical mass and for designing and developing portfolios that are diversified across asset classes and markets. Significant market footprint also helps pension managers effectively engage with asset managers to obtain access to co-investments and reduced fees for larger fund commitments.

On the other hand, we know that scale tends to dissipate at extreme size. Some institutional investors are so large that they cannot make allocations to higher-performing strategies that move the needle in the portfolio, while concentrated positions might move prices against them. Norway's sovereign wealth fund and Japan's government pension fund are well known examples.

But there is a sweet spot – perhaps between \$50 billion and \$250 billion in AUM. In the U.S., about twenty public pension funds cross the lower threshold; in Canada, a handful do. The California Public Employees' Retirement System and Canada Pension Plan exceed the upper bound.

Another feature of the Canadian public pension system is in-house investment management. This originated in Québec and became prevalent in Ontario in the 1990s. Over the years, the Toronto-based pension funds have become among the most sophisticated in the world. When Canada's smaller provinces and its federal pension system underwent reform, they adopted key lessons from Ontario. Along the way, they developed the consortium model, one that also prevails in some European markets.

Formed as units of Canadian federal and provincial finance departments, investment organizations managing combined portfolios of pension plans and other government assets came into being. These include the British Columbia Investment Management Corporation, Public Sector Pension Investment Board, and Alberta Investment Management Corporation. More recently, the Investment Management Corporation of Ontario was formed for the purpose of serving smaller Ontario pension plans, while CAAT Pension evolved from serving Ontario colleges to serve smaller pension funds across the country. Preceding all of these was Caisse de dépôt et placement du Québec. Other than CAAT, each is a public sector

entity operating at arms-length from government and overseen by representatives of its largest clients. The model continues to evolve and has recently been considered in Manitoba.

Might the consortium model be adopted in the United States? To some degree, it already has been. The Massachusetts Pension Reserves Investment Management Board is an investment office for the entire Commonwealth. Pennsylvania and Illinois are considering similar approaches.

We believe the consortium model is well worth wider consideration. There are hundreds of mid-size and thousands of small U.S. public pension plans. Investing the portfolios of each of these independently is inefficient.

How might such entities be structured? States – or groups of smaller states – could establish investment units to manage the portfolios of consortia of pension plans. These would operate at arms-length from government, while being held to fiduciary standards set by their clients. Smaller pension funds might pool assets and establish mutually owned cooperatives to invest on their behalf. They might even collectively engage investment management firms using the scale of their aggregate AUM. Full customization would be traded for greater portfolio diversification, access to otherwise inaccessible strategies, and better control over expenses.

State and local governments are searching for innovative ideas to fortify their finances given the impact of Covid-19. The consortium model is attractive because it enhances market efficiency. The Canadian examples provide good case studies. Clive Lipshitz and Ingo Walter, Institutional Investor, www.institutionalinvestor.com, August 14, 2020.

2. 'THE STATUS OF LOCAL GOVERNMENT PENSION PLANS IN THE MIDST OF COVID-19':

The update's key findings are:

- Despite the recent market recovery, during fiscal year 2020, local government pension plans will see virtually no change in their average funded ratio.
- And, going forward, the strains on government finances due to the recession could make it harder for localities to pay their required pension contributions.
- But projections show that local plans are quite sustainable on a cash-flow basis. Most can pay benefits indefinitely at their current contribution levels.
- The only exceptions are the very worst-funded plans, which face the real risk of exhausting their assets.

This full report is [available here](#). Jean-Pierre Aubry and Kevin Wandrei, Center for Retirement

Research at Boston College, <https://crr.bc.edu/>, August 2020.

3. PENSION PLAN'S LONG GAME OF HIDE, SEEK:

Pennsylvania taxpayers saddled with state school employees' pension costs reasonably might wonder why a pension system employee stayed at the ritzy Beverly Hills Hotel while on at least one business trip to Los Angeles.

Even more so, they might wonder why they can't find out what they paid for it. Each of the state's 500 school districts must make an annual pension contribution equivalent to 34% of its payroll – a preposterous burden that would crash any private business.

Taxpayers also cover the costs of state contributions to the school and state employees' pensions, for which the state government pays more than \$4 billion a year.

Pennsylvania Capital Star, an online journalism organization that covers state government, reported in December that a staffer for the Pennsylvania Public School Employees Retirement System had made seven annual trips to Los Angeles to meet with representatives of Platinum Equity, with which the system had invested more than \$1 billion over a decade.

As a public agency, PSERS must disclose travel costs. Yet it reported less than \$1,400 in total expenses for all seven trips, which is less than the airfare alone and equivalent to about two days' lodging at the Beverly Hills Hotel.

Reporters discovered that the staffer had stayed at the movie stars' hangout only because an expense report showed an \$8.60 Uber ride from the hotel to a meeting elsewhere.

The reporters discovered that the agency allows its vendors – financial industry firms – to book travel for agency staff. Then, the travel costs are “baked” into the contracts with those firms. Public money covers the travel, but the actual costs are buried in the contracts.

After the Pennsylvania Capital Star report, two PSERS board members – Democratic state Treasurer Joe Torsella and Republican Rep. Frank Ryan of Lebanon County – asked for an audit of travel expenses and moved to reform the process. The audit is incomplete but on Aug. 7, the PSERS board approved reforms requiring the agency to book and directly pay for staff travel.

Several board members huffed that the issue created a false impression of corruption at the agency. No, it's just obfuscation at public offense, something to keep in mind when you receive your school property tax bill. The Scranton *Times-Tribune*, www.thetimes-

[tribune.com](https://www.tribune.com), Aug 17, 2020.

4. IRS AND PBGC GUIDANCE ON SINGLE-EMPLOYER DEFINED BENEFIT FUNDING RELIEF UNDER THE CARES ACT:

On July 31, the IRS issued Notice 2020-61 (the “Notice”) to provide guidance related to the special funding rules applicable to single-employer defined benefit pension plans under the Coronavirus Aid, Relief, and Economic Security (the “[CARES Act](#)”). The Pension Benefit Guaranty Corporation (“PBGC”) previously posted on its website answers to frequently asked questions regarding the impact of the CARES Act on certain reportable event requirements, premium filings for single-employer defined benefit pension plans, plan terminations, and PBGC investigations. Highlights of both Agencies’ guidance are summarized below. We expect that plan sponsors who opt to delay contributions will need to address these issues with their actuaries very soon.

A. IRS Notice 2020-61

Section 3608 of the CARES Act delayed the funding deadlines for 2020. Any contributions otherwise due in 2020 are instead due on January 1, 2021 (even though it is a legal holiday). For a calendar-year plan, the changes would be as follows:

Contribution	Original Deadline	New Deadline
1st Quarterly for 2020 Plan Year	April 15, 2020	January 1, 2021
2 nd Quarterly for 2020 Plan Year	July 15, 2020	January 1, 2021
Final Contribution for 2019 Plan Year	September 15, 2020	January 1, 2021
3 rd Quarterly for 2020 Plan Year	October 15, 2020	January 1, 2021

For the period between the original deadline and the new deadline, the CARES Act provided that interest would accrue at the plan’s effective rate of interest for the plan year in which the payment is made. In addition, for plan years that include any part of the 2020 calendar year, the CARES Act allowed plan sponsors to elect to treat the plan’s AFTAP as being equal to the percentage from the last plan year ending before January 1, 2020. The Notice provides additional guidance related to this relief, including the following major takeaways.

- The CARES Act delayed the due dates for certain defined benefit plan contributions but did not delay any Form 5500 filing deadlines. If a plan sponsor makes a contribution after the applicable Form 5500 deadline on account of the prior year, the

original filing will not reflect that contribution and the sponsor must subsequently file an amended Form 5500.

- Plan sponsors can apply the extended contribution deadlines under the CARES Act not only to minimum required contributions, but also to contributions above the minimum funding requirements. Thus, certain contributions in excess of the minimum required contribution may be credited to an earlier plan year than would normally be permitted.
- The CARES Act permits plan sponsors to elect to use the Adjusted Funding Target Attainment Percentage (“AFTAP”) from the last plan year ending before January 1, 2020 for any plan year that includes calendar year 2020. However, any presumed AFTAPs for subsequent years may not be based on such AFTAPs but must instead be based on actual certifications from the enrolled actuary.
- An election to use an AFTAP from a prior year in place of the AFTAP for a plan year that includes calendar year 2020 must be made in writing to the plan’s enrolled actuary and plan administrator. Elections made using a different procedure will be considered valid, provided the plan sponsor notifies the plan actuary and administrator in writing by September 30, 2020.

Failure to Meet January 1, 2021 Contribution Deadline

If the January 1, 2021 extended deadline for a contribution is not satisfied, the penalties will apply as of January 1, 2021. If a sponsor misses a final contribution the sponsor will be subject to excise taxes for the unpaid minimum required contribution originally due September 15, 2020 for calendar-year plans. While missed quarterly contributions do not result in excise taxes, an additional 5% of interest will be added to the plan’s effective interest rate for the period after January 1, 2021.

Form 5500 Guidance

The Notice also contains guidance on how plans should complete the Schedule SB of the Form 5500. To the extent the Notice is inconsistent with the Schedule SB instructions, the Notice supersedes them.

- *Contribution Reporting:* If a sponsor takes advantage of the extended contribution deadline offered by the CARES Act, some contributions may be made timely, but after the date the Form 5500 is due. If a sponsor wishes to designate contributions for a plan year after the Form 5500 for that plan year has been filed, the sponsor must submit an amended Schedule SB to reflect the additional contributions.

Example: The sponsor of Plan X, a calendar year plan, makes a contribution of \$100,000 on December 1, 2020, and wishes to designate that contribution for the 2019 plan year. Due to

the CARES Act, this contribution is timely because it is made before January 1, 2021. However, the deadline for the 2019 Form 5500 (October 15, 2020) had already passed. Because 2019 contributions must be designated on the appropriate Form 5500, an amended Schedule SB must be filed after the plan sponsor makes the \$100,000 contribution on December 1, 2020. Without the amended Schedule SB, the contribution would be designated to the 2020 plan year and listed on the Form 5500 for 2020.

- *Contribution Delay:* If a sponsor makes a contribution after the original deadline (without regard to the CARES Act), but on or before the extended due date under the CARES Act, the plan's actuary must attach a schedule for Line 19 of the Schedule SB. This schedule shows the dates and amounts of individual contributions, the effective interest rate that applies to those contributions (including any potential 5% increase for late quarterly contributions), and the discounted contribution for the plan year. This schedule applies to both quarterly contribution requirements and annual funding requirements and must be included any time a contribution is deemed to be timely under the CARES Act, even if an amended Form 5500 is not required.
- *AFTAP Carryover:* If the sponsor has elected to use the prior year's AFTAP as provided by the CARES Act relief, the plan's actuary must attach a statement related to Line 15 of the Schedule SB. This statement identifies that the sponsor has made the election to use the prior year's AFTAP, the date of that election, and the AFTAP that is applied for the plan year pursuant to that election.

It is important to note that although contributions can continue to be made until January 1, 2021, the PBGC guidance (discussed below) takes the position that a contribution must be made before the premium due date for it to be considered when calculating the variable rate premium. This means that, for calendar year plans, any contributions made after the October 15, 2020 premium due date will *not* affect calculation of the 2020 variable-rate premium amount.

AFTAP Guidance

A plan's AFTAP is the key determinant of whether and which benefit restrictions under Code section 436 apply to a defined benefit plan. As noted above, a plan sponsor can elect to use the AFTAP for the last plan year ending before January 1, 2020 in place of the actual AFTAP for any plan year that includes the 2020 calendar year. To make this election, the plan sponsor must provide written notification to the plan's actuary and the plan administrator using the same procedure for making an election with regard to funding balances. To the extent a sponsor's AFTAP election did not originally follow this procedure, the sponsor has until September 30, 2020 to meet these written notification requirements.

For plans that do not use a calendar year for a plan year, the Notice confirms that such plans can apply the AFTAP relief to both the plan year ending in 2020 and the plan year beginning in 2020. For example, if a plan has a July 1 to June 30 plan year, the plan sponsor can choose to use the AFTAP certified for the July 1, 2018 to June 30, 2019 plan year for the plan year beginning July 1, 2019. The plan sponsor may also separately elect to use that AFTAP for the plan year that begins on July 1, 2020.

If a plan sponsor elects to use the deemed AFTAP under the CARES Act, the election is generally treated the same as a certified AFTAP. In most cases, even if the plan sponsor uses the deemed AFTAP, the plan actuary should still prepare a formal AFTAP certification for the year, as any presumed AFTAPs in the subsequent year must be based on an actual certification, not an elected AFTAP. However, if a plan does not use a calendar year plan year, and will use the relief in two consecutive years, then there is no need to prepare the AFTAP certification for the earlier year.

Technical Guidance

A number of highly technical issues covered in the Notice relate to the mechanics of interest adjustments, funding credits, and the application of a deemed AFTAP on the restrictions affecting plan amendments and unpredictable contingent event benefits. We do not cover them here but are glad to assist on request.

B. PBGC Guidance

The PBGC guidance was posted on the agency's Covid-19 Resources webpage on July 20. Highlights of the guidance follow.

2020 Contributions

When a sponsor misses a minimum funding contribution, it is required to notify the PBGC within 30 days (unless the accumulated missed contributions exceed \$1 million, in which case the sponsor must notify PBGC within 10 days). Additionally, when the missed contributions (plus interest) exceed \$1 million, a lien on the sponsor and all controlled group members arises in favor of the plan and is enforceable by PBGC.

Under the CARES Act, all required contributions--including quarterly contributions--that would otherwise be due in calendar year 2020 are now due on January 1, 2021. PBGC clarified that unpaid contributions that would be due in 2020 but for the CARES Act are not considered "missed contributions" for the purpose of PBGC's reportable event requirements as long as the contributions are made by January 1, 2021. In other words, there is no PBGC reporting requirement with respect to these contributions as long as they are made by the due date under the CARES Act.

By extension, given that 2020 contributions are not “missed” until January 1, 2021, the statutory lien resulting from missed contributions of over \$1 million should also not arise until January 1, 2021, and only then if the contributions are not made on that date.

If the sponsor does not make all required contributions by January 1, 2021, the missed contributions will need to be reported to PBGC. As always, if the accumulated value of the missed contributions (plus interest) exceeds \$1 million, the sponsor must report the missed contribution(s) on a Form 200, which must be submitted by January 11, 2021. If the accumulated value of the missed contributions is \$1 million or less, reporting is made within 30 days of January 1, 2021 via a Form 10. Because January 31 falls on a Sunday in 2021, the deadline to submit the Form 10 will be February 1, 2021.

Premiums

Variable rate premiums are due to PBGC by a plan with “unfunded vested benefits,” meaning the value of the vested benefit liabilities exceeds the value of the plan assets. The plan’s liabilities for this purpose are calculated using specific assumptions that often result in a larger liability amount than what is calculated for ongoing plans. Plans are required to pay a variable rate premium equal to a dollar amount specified for that year under PBGC regulations for each \$1,000 of unfunded vested benefits.

While 2019 plan year contributions typically would be made by September 15, 2020 (for calendar year plans), sponsors taking advantage of CARES Act funding relief need not make those contributions prior to the due date of the premium filing on October 15, 2020 (for calendar year plans). PBGC has clarified that contributions made after the premium due date may not be included in the calculation of a plan’s unfunded vested benefits for premium purposes. Therefore, sponsors who delay payment of contributions until January 1, 2021 may face higher variable rate premiums.

Plan Terminations and Early Warning Program

PBGC continues to process distress termination applications. PBGC reiterated that sponsors should schedule a pre-filing consultation with PBGC. PBGC is likely pushing for these meetings to ensure that sponsors are aware of the distress termination requirements rather than filing an application that may not be appropriate.

PBGC will also continue to initiate involuntary terminations where appropriate, which it has the authority to do in certain circumstances. Common situations where PBGC may terminate a plan include where the plan will be unable to pay benefits when due (such as when the sponsor goes out of business) or where PBGC determines that its “long-run loss” with respect

to a plan is reasonably expected to increase unreasonably if the plan is not terminated.

Similarly, PBGC will not suspend investigations under the “Early Warning Program” under which PBGC analyzes corporation transaction or events that could increase PBGC’s risk as the pension insurer. Indeed, PBGC may well initiate more involuntary terminations and/or Early Warning Program investigations due to the financial distress that many sponsors are currently experiencing.

When a pension plan does terminate, either in an involuntary or distress termination, the sponsor and controlled group members are liable to PBGC for the underfunding of the pension plan, as well as any unpaid contributions and premiums. PBGC suggests that it will not suspend collection of termination liabilities in 2020 but will work with plan sponsors to resolve such liabilities taking into account the sponsor’s ability to pay.

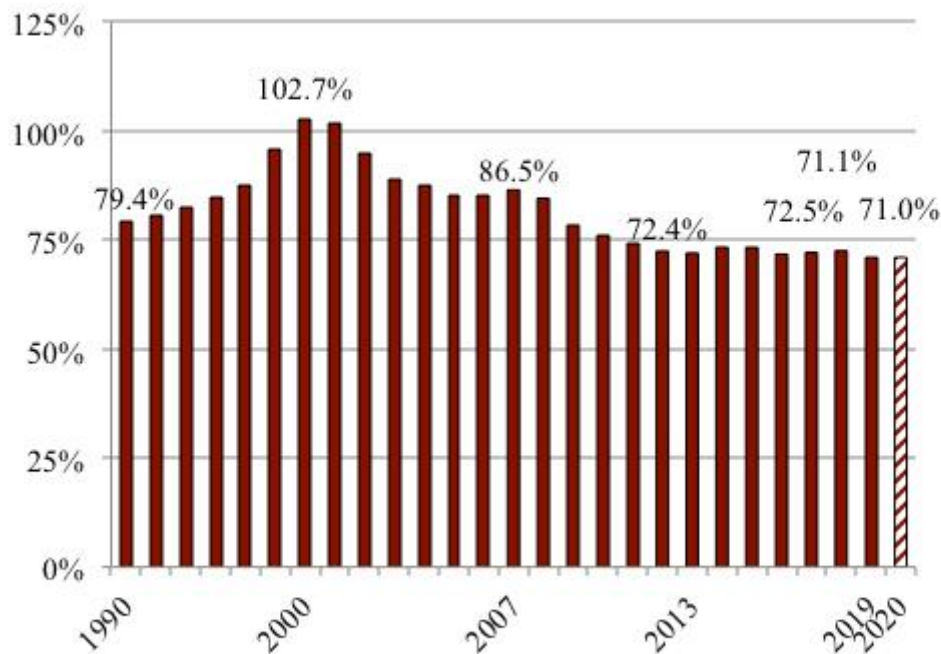
C. Next Steps

Plan sponsors should consult with their plan actuaries and legal/tax advisors soon to be sure they understand the implications of delaying plan contributions and the IRS and PBGC guidance and take the necessary actions in a timely manner. As noted above, the decisions to be made have important tax and financial implications. And some decisions – whether to make contributions by the normal 8½-month “grace period” to claim a tax deduction for the prior year, elect a revised AFTAP determination, etc. – need to be made quite soon. Groom Law Group, www.groom.com, August 13, 2020.

5. PAYING OFF UNFUNDED PENSION LIABILITIES WILL BE A LOW PRIORITY AFTER COVID-19:

A [recent update](#) of state and local pension plans showed that -- even after nearly a decade of stock market gains -- plans were only about 70% funded in fiscal year 2020. That funded ratio discounts future benefits by the plan’s assumed rate of return (7.2%); the ratio would be lower with a lower discount rate (see figure 1).

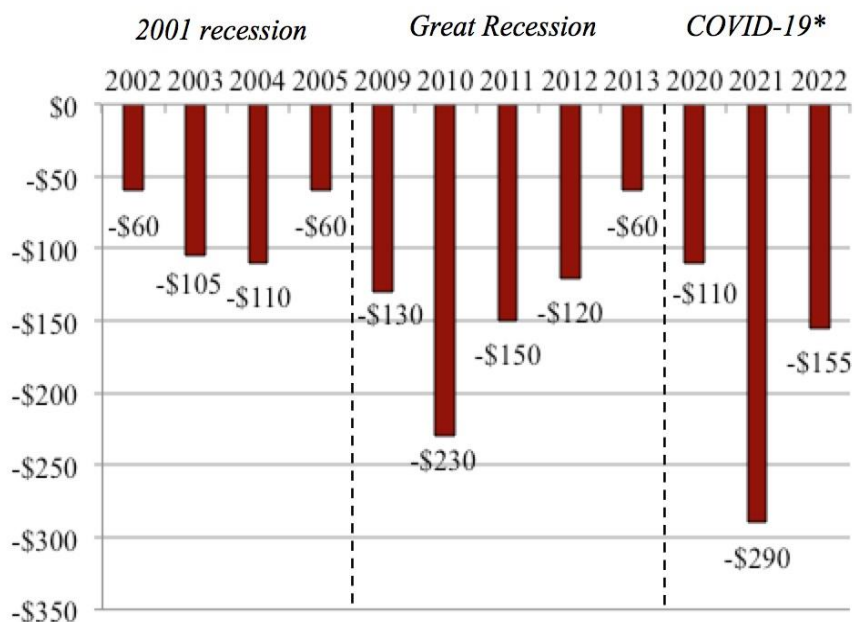
Figure 1. *Funded Ratios for State and Local Pension Plans, FY 1990-2020*



Source: Authors' estimates based on various plan financial reports; and Public Plans Database (2020).

At the same time, experts from the Center on Budget and Policy Priorities (CBPP) predict that state budget shortfalls from the economic impact of COVID-19 will total a [cumulative \\$555 billion](#) over the period 2020-22. This figure is for states only and does not reflect revenue shortfalls at the local level. The CBPP reports that the projected gap for fiscal year 2021 alone (which started July 1 for most jurisdictions) is much larger than for any year during the Great Recession (see figure 2). The impact on governments has already been dramatic. In the last four months, states and localities have furloughed or laid off 1.5 million workers -- double the number during the entire Great Recession.

Figure 2. Total State Budget Shortfall in Each Fiscal Year, in Billions of 2020 Dollars



Source: Figures for 2020-22 are projections from a July 7 report by the Center on Budget and Policy Priorities (“States Continue to Face Large Shortfalls Due to COVID-19 Effects.”)

In the next couple of years, states -- which must balance their budgets every year -- will face the tradeoff of deep cuts in education and health care and further layoffs, on the one hand, and funding their pensions on the other. Most observers would probably agree that pension funding could be postponed.

More fundamentally, the standard recommendation that sponsors need to eliminate all their unfunded liability over 30 years is increasingly being called into question.

For years, we have argued that liabilities created before plans started to pre-fund their pension benefits should be [taken off the backs of today’s workers](#) and financed by outside sources as they come due (and coupled with more conservative funding methods -- such as a lower discount rate and shorter amortization period -- for liabilities created afterward). More recently, other researchers have made the case for [stabilizing the ratio of unfunded liability to state GDP](#). Such a goal would also stabilize the ratio of debt service to output, requiring no further increases in taxes or cuts in outlays to maintain pensions.

These more moderate funding approaches seem sensible in the best of times. But they seem particularly helpful given the history of the 21st century, where the plans have been swamped

with the retirement of baby boomers (a phenomenon that should end by 2030), two major market corrections in 2000-01 and 2007-09, and three recessions that depleted the revenues of state and local governments. In this context, blindly accumulating assets equal to 100% of the present value of promised benefits really doesn't seem like a sensible goal. Alicia H. Munnell, MarketWatch, www.marketwatch.com, August 10, 2020.

6. IRS PROVIDES GUIDANCE ON 2020 WAIVER OF RETIREMENT PLAN REQUIRED MINIMUM DISTRIBUTIONS:

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a relief package in response to the COVID-19 pandemic which became law in March 2020, allows individuals to avoid taking a required minimum distribution (RMD) from their retirement plans or IRAs for 2020. This relief applies to employer-sponsored defined contribution plans as well as Individual Retirement Accounts (IRA) but does not apply to employer-sponsored defined benefit plans. If not paid in 2019, this temporary waiver of the RMD requirement also applies to an RMD first required in 2020 because the individual left employment or reached age 70½ in 2019 and would otherwise have had to take their first RMD by April 1, 2020. In addition, the five-year period by which certain account balances must be distributed after the death of the participant will be extended by one year such that 2020 will be disregarded for participants who died in 2015 through 2019, but not for participants who die in 2020.

The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) changed the date by which RMDs must generally begin ("required beginning date"). It was previously April 1 following the year in which an individual attains age 70 ½. It has changed to April 1 following the year in which an individual attains age 72, for individuals who attain age 70 ½ after December 31, 2019. A retirement plan participant who is not a 5% owner of the employer may delay receipt of RMDs until April 1 following the year in which the employee retires. A plan that currently provides that RMDs are based on age 70 ½ (rather than incorporating a statutory reference to the RMD requirement which is rare) will have to be amended if it wishes to defer the RMDs until after age 72 as described above. The rules for defined contribution plan distributions to non-spouse beneficiaries after death were also changed to generally require distribution within 10 years, no longer allowing distributions over life expectancy except for distributions to "eligible designated beneficiaries" which include a spouse, children under the age of majority, certain disabled or chronically ill individuals or an individual who is not more than 10 years younger than the participant. These new non-spouse beneficiary rules will generally require a plan amendment unless the plan currently incorporates the statute by reference.

In June 2020, the IRS issued Notice 2020-51 providing guidance on how to interpret and administer the 2020 RMD waiver provisions in the CARES Act and the required beginning

date provision in the SECURE Act. The following are highlights of the recent IRS Notice:

Is a retirement plan amendment required to suspend payment of RMDs?

An employer retirement plan must be amended if the employer wants to allow the suspension of 2020 RMDs. The amendment is not required to be completed until the last day of the 2022 plan year (2024 plan year for governmental plans). An IRA does not have to be amended to reflect the waiver of the RMD.

Sample Plan Amendment

The IRS Notice contains a sample plan amendment that can be adopted by an employer with two basic options. The first option provides that the 2020 RMD *will be distributed* unless a plan participant elects otherwise. The second option provides that the 2020 RMD *will not be distributed* unless a plan participant elects otherwise. An employer cannot amend the plan to suspend payment of 2020 RMDs without giving the participants the right to elect otherwise. Any amendment must reflect the operations of the plan beginning with the effective date of the amendment. An employer is not required to amend a retirement plan to suspend payment of the 2020 RMDs, though participants would still be allowed to rollover the 2020 RMD back to the plan if the plan permits rollovers. The sample plan amendment also allows four different options, one being a default option, with respect to the availability of direct rollover choices for distributions in 2020 that can expand the types of distributions that are considered “eligible rollover distributions”. If the default is chosen, a direct rollover is offered only for distributions that would be eligible rollover distributions in the absence of the CARES Act provisions.

Tax Withholding

Even though participants who receive an RMD from a retirement plan or IRA in 2020 may roll this amount back into a retirement plan or IRA, the distribution is not technically considered an “eligible rollover distribution” so the distribution is subject to an optional 10% federal income tax withholding rate and not the 20% mandatory withholding rate that applies to eligible rollover distributions.

Rollover allowed of any 2020 RMD previously paid (and certain 2021 distributions)

Individuals who receive an RMD in 2020 or one or more payments that include a 2020 RMD that would be treated as part of a series of substantially equal periodic payments may rollover such distribution to an employer’s retirement plan (including to the same retirement plan assuming the plan permits rollovers) or to an IRA. The deadline to roll over any such distribution, which normally is 60 days from receipt, will not be before August 31, 2020 even if the distribution was made as early as January 2020. If a distribution by an IRA is rolled over to the distributing IRA by August 31, 2020, such rollover will not be treated as a rollover for purposes of the one rollover per 12-month period rule and the restriction on rollovers for non-

spousal beneficiaries. A participant can also rollover a subsequent plan distribution made in 2021 if their RMD “required beginning date” was April 1, 2021 and they had previously received a distribution of their RMD for 2021. A rollover of a distribution made to an individual in 2020 who attained age 70 ½ in 2020 and whose required beginning date is now based on age 72 (assuming the plan is so amended under the SECURE Act) is also allowed.

Five-year/life expectancy rule election extension

The deadline for a beneficiary making an election for the use of either the five-year rule or the life expectancy rule in determining an RMD is typically the December 31 of the year following the calendar year of the participant’s death. This deadline is extended one year to December 31, 2021 if the deadline is otherwise December 31, 2020. There is no similar extension if death occurs in 2020.

Deadline for direct rollover for a non-spouse designated beneficiary

A non-spouse designated beneficiary of a participant who dies in 2019 has until December 31, 2021 (rather than 2020 as would otherwise be the case) to make a direct rollover from the participant’s retirement plan to an IRA and use the life expectancy rule rather than the five-year rule for determining the RMD.

These rules and options are complex and employers who sponsor retirement plans will need to keep track of how they administer these issues, especially if plan amendments are not made until 2022 (or 2024 for governmental plans). Michael T. Bindner, Frost Brown Todd Attorneys, <https://frostbrowntodd.com>, August 13, 2020.

7. ANNUITY PURCHASE UPDATE; AUGUST 2020 INTEREST RATES:

Executive Summary: Through long established relationships with insurers in the PRT marketplace, October Three collects annuity purchase rates for Duration 7 years and Duration 15 years on a monthly basis. We have constructed two hypothetical annuity plans which have been valued using the latest mortality tables.

- Year-to-Date annuity purchase prices have been volatile and are currently higher for both Annuity Plan 1 and Annuity Plan 2. [Click here to view plans.](#)
- Annuity purchase prices relative to GAAP PBO liabilities have also been volatile but are currently in line with historical expectations.
- This past month annuity purchase prices rose 0.29% for Annuity Plan 1 and 3.69% for Annuity Plan 2. Relative to GAAP PBOs however, purchase prices lowered.
- Connecting with an annuity search firm early on is key for plan sponsors to take advantage of favorable fluctuations in market pricing.

August 2020 Rates		
Duration:	7 Years	15 Years
Range Rate:	1.14% - 1.97%	1.39% - 2.16%
Average Rate:	1.46%	1.66%
Average Rate Past Month Increase/Decrease:	-0.04%	-0.21%
Average Rate YTD Increase/Decrease:	-0.81%	-0.83%

August 2020 Plan Tracker		
Plan:	Plan 1	Plan 2
Annuity Purchase Price - YTD:	+5.95%	+14.66%
Annuity Purchase Price - Past Month:	+0.29%	+3.69%
% Annuity Purchase Price Exceeds GAAP PBO:	2.89%	10.66%
% Annuity Purchase Price Exceeds GAAP PBO - Past Month:	-2.05%	-2.85%

Full update is available [here](#). OctoberThree, www.octoberthree.com, August 13, 2020.

8. WHAT TO DO WITH YOUR PENSION FUND WHEN YOU RETIRE:

Figuring out what to do with your company [pension](#) when you retire can be a bit more complicated than making a plan for your employer-sponsored [401\(k\) plan](#). With a company or government pension plan, your choices can range from many to none. "Every pension plan is a little bit different from the other," says Christine Russell, a senior manager of retirement and annuities at TD Ameritrade. "When you can get the money out and how is almost completely up to the plan and how it is structured."

What Is a Pension Fund?

A pension, or defined benefit plan, is a retirement fund in which the company makes contributions during the work life of the employee. Upon retirement, employees receive a guaranteed payment that is typically based on a percentage of their average salary and the number of years with the company.

While pensions remain the norm for state and federal employees, the proportion of Americans in the private sector covered by pensions has dwindled to about 13%, according to Bureau of Labor Statistics data. Companies began moving their workers into [401\(k\)s](#) in the 1980s as they found traditional pensions too expensive, and new employers largely decided not to set up traditional pension plans.

Federal Government Pensions

Federal government employees often have pensions, but they generally don't have the option of taking a lump sum. In fact, when it comes to their pensions, they have very little to decide, says Caine Crawford, a retirement advisor based in Denver who specializes in federal employees. "You have the option to take a deferred pension if you (retire) early, prior to 62 or full retirement age," Crawford says. "Otherwise it's cut in stone. All you can decide is when to retire."

Private Sector Pensions

Workers in the private sector generally have more options. Russell says the first thing you should do is talk to your human resources department or the administrator in charge of the plan. Get a summary plan description to see the rules about accessing your money. You need to determine when and how you are eligible for payments and if you have the option to take a lump sum distribution and roll your plan over into an [individual retirement account](#). "In the 401(k) world you always have the option of rolling over into an IRA," Russell says. "In a pension you may not have the option. You may be only able to get it out as a monthly benefit."

Most private sector pensions are guaranteed by the Pension Benefit Guaranty Corporation. If your company goes out of business or the plan runs out of money, the PBGC pays out promised benefits up to annual limits. Bryan Bibbo, lead advisor at The JL Smith Group in Avon, Ohio, says you should request a pension plan annual report to check on the financial health of the pension. If the plan is underfunded, check to see if the PBGC covers the amount you expect to receive in retirement.

Monthly Check or Lump Sum Payment

To decide which type of payment is a better option, you need to evaluate your personal situation. "Typically, your options are you can take a lump sum distribution, or you can take payments over your lifetime," says Rich Ramassini, director of strategy and sales performance at PNC Investments. "You can take your payment over a joint life period (both spouses) or you can take your payment for a defined period of time."

A lump sum gives you immediate access to a large amount of cash, but you become responsible for making that money last for the rest of your life. "Individuals are overwhelmed with do-it-yourself retirement," Russell says. "This is one of the few areas where you get guaranteed payments for life."

The monthly payment option can be especially beneficial to retirees who expect to live a long life, and you don't have to worry about picking investments and potential losses. "You can

request a lump sum, but you have to be careful," Ramassini says. "The (monthly) distribution is for as long as you live."

Single Life Benefit or Survivor Benefit Option

If you select the monthly payment, your next choice will be whether you want to receive a single life benefit or a joint and survivor benefit. The first choice will result in a higher monthly payment, but when the recipient dies, the benefit stops. If the pensioner dies a month after the pension begins, the payments will end. The spouse must sign a consent form for the single life benefit option, due to a rule mandated by the Retirement Equity Act of 1984 to ensure that spouses are aware that they receive no benefit if the pensioner dies.

The joint life option will result in a lower monthly payment, but if the pensioner dies, the spouse will still receive a lifetime benefit. "You can, in many plans, buy a richer benefit for your spouse," Russell says. "You might be able to use some of your pension benefits to give your spouse, instead of 50%, maybe 75% or 100% of what you get. It will be in the summary plan report. You can see if it makes sense to get a richer benefit for your spouse."

Crawford says federal employees have the option of providing a [surviving spouse](#) either 25% or 50% of their pension. Their monthly benefit will be reduced by whichever amount they choose.

Period Certain Option

Some pensions allow participants to take a higher payout and receive the pension for a certain period of time, such as 10, 15 or 20 years. With this option, even if the pensioner dies, the checks will continue for his or her spouse or heirs for the remainder of the period. "Every option has advantages, disadvantages and strings attached," says Kristian Finrock, founder and financial advisor with Retirement Income Strategies in Madison, Wisconsin. "Look at the impact of losing a spouse. We usually advise the 100% continuation option if they are married."

Those with a [long life expectancy](#) have the most to gain by setting up monthly payments for life. "If the probability that you are going to live a long life is high, (the annuity) could be the benefit that gives you the most income," Ramassini says. "If your health is not great and you won't have a long life span, you may want the lump sum or joint life." U.S. News, <https://money.usnews.com>, August 14, 2020.

9. A DIVORCE COULD HAVE A BIG IMPACT ON YOUR RETIREMENT SAVINGS:

Divorce can affect your life in many ways. Unfortunately, one big way it could have an impact is by making it harder to retire.

Divorce can affect your retirement security because the process itself can be costly and you may drain your savings to pay for legal support. If you lose a portion of your retirement savings to your spouse or your household income goes down after divorce and you find it difficult to continue saving, that could also reduce the size of your nest egg.

But just how much can ending a marriage affect your later years? Data from the [National Institute for Retirement Security](#) (NIRS) reveals that the consequences can be dire if you don't act.

Here's the impact of divorce on your retirement account balance

According to NIRS, divorced people have less money in their individual retirement accounts than the married do. While the mean value of independently owned defined contribution accounts is \$84,874 for married men and \$50,126 for married women, those numbers drop to \$58,951 for a divorced man and \$38,613 for a divorced woman.

Married people also, unsurprisingly, have more retirement money for their households. For example, the mean value of household defined contribution accounts is \$136,055 for married men, while it's the same \$58,951 for the divorced.

With such a discrepancy between the size of the average account balance, it's probably no surprise that NIRS showed the elderly poor are more likely to be divorced than married elderly Americans or seniors as a whole.

The news gets worse for women, as those who divorce tend to do worse than men in terms of their retirement savings. However, women who divorce early in life aren't hit as hard as those who end a marriage later, since they have more time to bulk up their own retirement savings account balance.

How to protect your retirement security in case of divorce

Divorce can make it more difficult to save, because household income usually falls when you become the only earner while expenses rise once you're maintaining two separate households rather than just one. And, as mentioned, the costs of ending the marriage itself can affect wealth, as can losing some of your retirement money in the divorce.

There are, however, some steps you can take to make sure that ending your marriage doesn't mean ending the dream of a secure retirement. Some options include:

- *Understanding how Social Security spousal benefits work.* If you were married at least

10 years, you may be entitled to spousal or survivor benefits even after a divorce. If your ex was a higher earner than you, look into whether claiming benefits on his or her work record could help you get larger [Social Security](#) checks.

- *Prioritizing retirement savings.* As soon as your marriage has come to an end, start rebuilding your budget with a focus on saving for the future. Take stock of where you are when it comes to your account balance, set a savings goal based on retiring without a spouse, and automate contributions to your retirement accounts to hit your target. This goal can be difficult to achieve in the aftermath of a failed marriage but aim to begin investing as much as you can, as soon as possible.
- *Making smart investment choices.* If you relied on your ex to make choices about what your accounts should be invested in, dedicate yourself to learning the [fundamentals of investing](#) as soon as possible after your divorce. Earning a better return on investment can only help your nest egg grow.

By reworking your budget as soon as possible after divorce and making sure retirement savings is a top priority, you maximize your chances of achieving the retirement security you deserve even without help from your ex. Christy Bieber, The Motley Fool, www.fool.com, August 13, 2020.

10. THE DEADLINE FOR RETIREES TO RETURN RMDs IS ALMOST HERE:

Some older Americans will get a special tax break this year. But if you're eligible and you don't act fast, you could lose it.

Retirees aren't required to take minimum distributions (RMDs) from their retirement accounts in 2020. If you withdrew money earlier this year and don't need it to live on, then you have until [Aug. 31](#) to return it if you don't want those funds counted toward your income for the year.

In a typical year, people age 72 and over must take [a set amount of money based on an IRS formula](#) from their retirement accounts and pay income taxes on that money. These withdrawals are Uncle Sam's way of finally collecting his cut of the savings that's grown tax-deferred over the decades. But 2020 is hardly a typical year, and in [March Congress waived the RMD requirement for all types of retirement plans](#) including IRAs, 401(k)s, 403(b)s, 457(b)s, and inherited IRA plans. (Lawmakers took similar action during the Great Recession, waiving the RMD requirement for 2009.)

Returning an unwanted RMD to your account can save you on income taxes for the year. Also, if your RMD would have pushed you into a higher income bracket for the purpose of [calculating Medicare premiums](#) and [the portion of your Social Security income that's taxed](#),

then it could save you additional money.

Fidelity Investments recommends making sure the money is received by the Aug. 31 deadline, not postmarked by then, says Melissa Ridolfi, the company's vice president, college and retirement leadership. Fortunately, digital banking can make it easy to meet the deadline. Fidelity has seen a sharp increase in customers' use of mobile check deposits during the pandemic.

Your brokerage firm sends you a Form 1099-R when you withdraw money from your retirement account and a Form 5498 when money is contributed to the account. Hang onto both for when you file your 2020 taxes.

Another key point: Many people automate their RMD withdrawals. Those who turned that function off for this year should make sure to turn it back on for next. The penalty for skipping an RMD is hefty: 50% of the money you didn't distribute on time. "2021 is around the corner," Ridolfi says. Elizabeth O'Brien, Money, <https://money.com>, August 17, 2020.

11. MEN EARN WAY MORE THAN WOMEN AT 2 LOS ANGELES FUNDS:

A large pay disparity exists between female and male employees at the city of Los Angeles' two largest pension plans, according to a recent report by city Controller Ron Galperin.

Among all employers citywide, women earned 76% of the earnings of their male co-workers, with average gross annual pay of \$90,058, compared to an average of \$118,454 for men. The difference is less stark when comparing average hourly wages, with men earning \$47 while women earned \$44.

Men at both of Los Angeles' pension plans earn more than the citywide averages while women earn less. At the \$25 billion Los Angeles Fire & Police Pensions, men make an average hourly rate of \$54 compared to women who make an average of \$43. Both genders make less at the \$19 billion [Los Angeles City Employees' Retirement System](#), with men receiving an average hourly wage of \$51 compared to women who earn \$42 an hour.

Unlike in the city, where women are underrepresented at just 28% of the workforce, the majority of the workers at both city pension plans are female. Some 59% of LAFPP's employees are women, while 69% of LACERS' staff are female.

"While overall I have more females in the department than males, I also have more long-tenured males in the upper ranks of management (assistant general managers and the CIO)," said Ray Ciranna, LAFPP general manager in an email. "The (fund's) investment group is

more balanced these days and will continue to change in the coming years." LACERS officials, meanwhile, declined comment. Arleen Jacobius, *Pension & Investments*, www.pionline.com, August 13, 2020.

12. U.S. CHAMBER OF COMMERCE LAUNCHES NEW CAMPAIGN TO BOLSTER, STRENGTHEN SUPPORT FOR EMPLOYER-SPONSORED HEALTH COVERAGE:

The U.S. Chamber of Commerce announced the launch of [Protecting Americans' Coverage Together \(PACT\)](#), a campaign aimed at strengthening support for the private health coverage that millions of Americans rely on for their health, while raising awareness around the serious threats posed by a Medicare buy-in or public option.

PACT will elevate the voices of employers and employees around meaningful reforms that would reinforce the benefits of the current employer-sponsored insurance (ESI) system rather than resorting to highly disruptive changes that would undermine health care coverage for millions of Americans and their families.

"An overwhelming majority of Americans with employer-sponsored insurance are satisfied with their coverage, and it's easy to see why," said Suzanne P. Clark, president of the U.S. Chamber of Commerce. "The flexibility of it allows companies to tailor benefits and coverage to the needs of their workforce, which is important as our nation confronts a pandemic that is affecting different communities, industries, and families in different ways. Now is the time to bolster the employer-sponsored health insurance, not dismantle it."

ESI provides robust, affordable coverage for 180 million¹ families and retirees, including broad, robust networks which provide access to major hospitals, academic medical centers and a variety of providers. Recently, Congress recognized the critical role of the ESI program during the current COVID-19 public health crisis by providing funding support and assistance so American workers could maintain their health coverage.

Yet as federal and state policymakers consider broader health and marketplace reforms, a public option or Medicare buy-in would erode the ESI program and destabilize coverage across major insurance markets for millions of individuals.

A research report from Matrix Global Advisors, released today by the U.S. Chamber highlights the negative economic effects of a Medicare buy-in or public option, including:

- A decade after the introduction of a public option, 2 million people insured through the individual market could lose access to private plans.
- Medicare buy-in may not cover as much as private insurance and could leave workers

with high out-of-pocket costs or the need to purchase supplemental insurance.

- A Medicare buy-in would cause premiums for those remaining in the individual market to rise between 2 and 10 percent.

Read more from the [report here](#).

Through research and advocacy efforts, PACT will promote the benefits of fostering a strong and robust ESI program, one that has the ability to meet the unique needs of individuals and provide essential coverage to Americans close to retirement. [Learn more about the ongoing work behind the U.S. Chamber's new PACT campaign](#). U.S. Chamber of Commerce, www.uschamber.com, August 14, 2020.

13. HEALTH SAVINGS ACCOUNTS:

A Health Savings Account (HAS) is a tax-advantaged account that individuals can use to pay and save for unreimbursed medical expenses (e.g., deductibles, co-payments, coinsurance, and services not covered by insurance). Eligibility to contribute to HSAs is associated with enrollment in high-deductible health insurance plans (HDHPs); however, HSAs are a trust/custodial account and are not health insurance.

HSAs were first authorized in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (P.L. 108-173) and are one type of health-related tax-advantaged account/arrangement that individuals can use to pay for unreimbursed medical expenses.

HSAs have several tax advantages: individual contributions are tax deductible unless made through a cafeteria plan; employer contributions and individual contributions made through a cafeteria plan are excluded from taxable income and from Social Security, Medicare, and unemployment insurance taxes; account balances may be invested and any corresponding earnings are tax exempt; and withdrawals are not taxed if used for qualified medical expenses.

This report summarizes the principal rules governing HSAs, covering such matters as eligibility, qualifying health insurance, contributions, withdrawals, and tax advantages. It incorporates changes made to HSAs as a result of the Coronavirus Disease 2019 (COVID-19) pandemic and corresponding recession. It concludes with a discussion of HSA data limitations and recent trends in HDHP enrollment and HSA utilization. [Click here](#) to view the full report. Congressional Research Service, <https://crsreports.congress.gov>, August 13, 2020.

14. “YOU’VE WON! NOW PAY US” IS ALWAYS A SCAM:

During these difficult economic times, it is easy to imagine our financial problems disappearing

by winning a big prize. Who wouldn't like to win a million dollars, a new car, or a vacation home? But if you get a call from someone saying, "You've won," don't believe the hype.

Here's how it works. You get a call from someone who says they're from Publishers Clearing House or some other well-known organization. They say, "Congratulations, you've won a million dollars, a Mercedes-Benz, and seven thousand dollars a week for life!" or some other amazing sounding prizes. Then they ask you to pay a "processing fee," "taxes," or "shipping and handling charges," to claim your prize.

The scammers are trying to push you into a heightened emotional state, to knock you off balance just long enough to steal your money and personal information.

The fact is, Publishers Clearing House never notifies winners in advance. And anyone who says, "You've won. Now pay us," is always scammer. Period.

Consider these tips to avoid this scam:

- **Legitimate sweepstakes don't make you pay a fee to get your prize.** That includes paying "taxes," "shipping and handling charges," or "processing fees." There's also no reason to give someone your checking account or credit card number in response to a sweepstakes promotion.
- **Don't send money transfers or gift cards or give personal information.** Sending money transfers or gift cards (or providing the gift card numbers) is like sending cash: once the money's gone, you can't trace it or get it back. The same goes for sending money by mail or using a money order.
- **Don't trust your caller ID.** Scammers can make any name or number show up on your caller ID. They might use an official-sounding name like Publishers Clearing House or Reader's Digest.

Scammers don't just scam one person. Tell your friends and family about the scam so they can avoid it. Then report it to the FTC: [ftc.gov/complaint](https://www.ftc.gov/complaint). Jim Kreidler, Consumer Education Specialist, FTC, www.ftc.gov, August 12, 2020.

15. SELLERS NEED PROOF FOR COVID TREATMENT CLAIMS:

As part of its ongoing efforts to protect consumers from sellers of scam COVID-19 treatments, [the FTC has sent 20 more warning letters to companies](#) that claim their products can prevent, treat or cure the COVID-19. Claims for zappers, virus-busting cards, sage, oregano, and bay leaves are among the representations called into question in the latest round of warning letters.

Like the [hundreds of other warning letters](#) the FTC has sent to other companies, these letters require the sellers to notify the FTC within 48 hours of the specific actions they have taken to address the agency's concerns. The FTC will follow up with companies that fail to make adequate corrections. The good news: in nearly all cases so far, those who get the letters have stopped making the false claims or selling the scam product or treatment.

When it comes to the fight against the Coronavirus, knowing the facts will help. Here are tips to follow and share with others:

- Always talk with your doctor or another healthcare professional before you try any product claiming to treat, cure, or prevent COVID-19.
- Head to [CDC.gov](https://www.cdc.gov) for clear and concise information on COVID-19. In addition, visit the [FDA's Resources](#) page to find out about treatments in development.
- Learn more about scams related to COVID-19 by visiting [ftc.gov/coronavirus](https://www.ftc.gov/coronavirus) and subscribing to [Consumer Alerts](#) from the FTC.
- If you find a product that claims to prevent, treat, or cure COVID-19, report it to the FTC at [ftc.gov/complaint](https://www.ftc.gov/complaint).

Colleen Tressler, Consumer Education Specialist, FTC, www.ftc.gov, August 14, 2020.

16. IRS TAKES NEW STEPS TO ENSURE PEOPLE WITH CHILDREN RECEIVE \$500 ECONOMIC IMPACT PAYMENTS:

The Internal Revenue Service continues to look for ways to help people who were unable to provide their information in time to receive Economic Impact Payments for their children. As part of that effort, the Internal Revenue Service announced today it will reopen the registration period for federal beneficiaries who didn't receive \$500 per child payments earlier this year.

The IRS urges certain federal benefit recipients to use the IRS.gov [Non-Filers tool](#) starting Aug. 15 through Sept. 30 to enter information on their qualifying children to receive the supplemental \$500 payments.

Those eligible to provide this information include people with qualifying children who receive Social Security retirement, survivor or disability benefits, Supplemental Security Income (SSI), Railroad Retirement benefits and Veterans Affairs Compensation and Pension (C&P) benefits and did not file a tax return in 2018 or 2019.

The IRS anticipates the catch-up payments, equal to \$500 per eligible child, will be issued by mid-October.

“IRS employees have been working non-stop to deliver more than 160 million Economic Impact Payments in record time. We have coordinated outreach efforts with thousands of community-based organizations and have provided materials in more than two dozen languages,” said IRS Commissioner Chuck Rettig. “Given the extremely high demand for EIP assistance, we have continued to prioritize and increase resource allocations to eligible individuals, including those who may be waiting on some portion of their payment. To help with this, we are allocating additional IRS resources to ensure eligible recipients receive their full payments during this challenging time.”

Used the Non-Filers tool after May 5? No action needed.

For those Social Security, SSI, Department of Veterans Affairs and Railroad Retirement Board beneficiaries who have already used the Non-Filers tool to provide information on children, no further action is needed. The IRS will automatically make a payment in October.

Didn't use the IRS Non-Filers tool yet? Provide information by Sept. 30

For those who received Social Security, SSI, RRB or VA benefits and have not used the Non-Filers tool to provide information on their child, they should register online by Sept. 30 using the Non-Filers: Enter Payment Info Here tool, available exclusively on IRS.gov. Remember, anyone who filed or plans to file either a 2018 or 2019 tax return should file the tax return and not use this tool.

For those unable to access the Non-Filers tool, they may submit a simplified paper return following the procedures described in this [FAQ](#) on IRS.gov.

Any beneficiary who misses the Sept. 30 deadline will need to wait until next year and claim it as a credit on their 2020 federal income tax return.

Those who received their original Economic Impact Payment by direct deposit will also have any supplemental payment direct deposited to the same account. Others will receive a check.

Eligible recipients can check the status of their payments using the Get My Payment tool on IRS.gov. In addition, a notice verifying the \$500-per-child supplemental payment will be sent to each recipient and should be retained with other tax records.

Other Non-Filers can still get a payment; must act by Oct. 15

Though most Americans have already received their Economic Impact Payments, the IRS

reminds people with little or no income and who are not required to file tax returns that they remain eligible to receive an Economic Impact Payment.

People in this group should also use the Non-Filers' tool – but they need to act by Oct. 15 to receive their payment this year.

Anyone who misses the Oct. 15 deadline will need to wait until next year and claim it as a credit on their 2020 federal income tax return.

Available in both English and Spanish, the Non-Filers tool is designed for people with incomes typically below \$24,400 for married couples, and \$12,200 for singles. This includes couples and individuals who are experiencing homelessness. People can qualify, even if they don't work or have no earned income. But low- and moderate-income workers and working families eligible to receive special tax benefits, such as the Earned Income Tax Credit or Child Tax Credit, cannot use this tool. They will need to file a regular return by using IRS Free File or by another method.

Other important notices involving Economic Impact Payments:

Spouse's past-due child support. The IRS is actively working to resolve cases where a portion or all of an individual's payment was taken and applied to their spouse's past-due child support. People in this situation do not need to take any action. The IRS will automatically issue the portion of the EIP that was applied to the other spouse's debt.

Spouses of deceased taxpayers. Upon enactment of the CARES Act, the IRS initially implemented the legislation consistent with processes and procedures relating to the 2008 stimulus payments (which were transmitted to deceased individuals). After further review this spring, Treasury determined that those who died before receipt of the EIP should not receive the advance payment. As a result, the EIP procedures were modified to prevent future payments to deceased individuals. The cancellation of uncashed checks is part of this process. Some EIPs to spouses of deceased taxpayers were cancelled. The IRS is actively working on a systemic solution to reissue payments to surviving spouses of deceased taxpayers who were unable to deposit the initial EIPs paid to the deceased and surviving spouse. For EIPs that have been cancelled or returned, the surviving spouse will automatically receive their share of the EIP.

The IRS has taken steps to get payments to as many eligible individuals as possible. A recent oversight report confirmed that the IRS correctly computed the amount due for 98% of the payments issued. However, the IRS acknowledges the significance for those who have not yet

received their full payment. The IRS continues to look at ways to help people get the right amount of the payment and will continue to provide updates on additional enhancements as they occur.

For more Information on the Economic Impact Payment, including updated answers to frequently-asked questions and other resources, visit [IRS.gov/coronavirus](https://www.irs.gov/coronavirus). These online resources are helpful for people who might not understand (i) why the payment received is less than \$1,200, (ii) that they are ineligible to receive a payment, or (iii) why they may not be eligible to receive the \$500 per qualifying child payment. IRS Newswire IR-2020-180, www.irs.gov, August 14, 2020.

17. UNEMPLOYMENT COMPENSATION IS TAXABLE; HAVE TAX WITHHELD NOW AND AVOID A TAX-TIME SURPRISE:

With millions of Americans now receiving taxable unemployment compensation, many of them for the first time, the Internal Revenue Service today reminded people receiving unemployment compensation that they can have tax withheld from their benefits now to help avoid owing taxes on this income when they file their federal income tax return next year.

By law, unemployment compensation is taxable and must be reported on a 2020 federal income tax return. Taxable benefits include any of the special unemployment compensation authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted this spring.

Withholding is voluntary. Federal law allows any recipient to choose to have a flat 10% withheld from their benefits to cover part or all of their tax liability. To do that, fill out [Form W-4V](#), Voluntary Withholding Request (PDF), and give it to the agency paying the benefits. Don't send it to the IRS. If the payor has its own withholding request form, use it instead.

If a recipient doesn't choose withholding, or if withholding is not enough, they can make quarterly estimated tax payments instead. The payment for the first two quarters of 2020 was due on July 15. Third and fourth quarter payments are due on Sept. 15, 2020, and Jan. 15, 2021, respectively. For more information, including some helpful worksheets, see [Form 1040-ES](#) and [Publication 505](#), available on IRS.gov.

Here are some types of payments taxpayers should check their withholding on:

- Unemployment compensation includes: Benefits paid by a state or the District of Columbia from the Federal Unemployment Trust Fund
- Railroad unemployment compensation benefits

- Disability benefits paid as a substitute for unemployment compensation
- Trade readjustment allowances under the Trade Act of 1974
- Unemployment assistance under the Disaster Relief and Emergency Assistance Act of 1974, and
- Unemployment assistance under the Airline Deregulation Act of 1978 Program

Recipients who return to work before the end of the year can use the [IRS Tax Withholding Estimator](#) to make sure they are having enough tax taken out of their pay. Available only on IRS.gov, this online tool can help any worker or pension recipient avoid or lessen their year-end tax bill or estimate the refund they want.

In January 2021, unemployment benefit recipients should receive a [Form 1099-G](#), Certain Government Payments (PDF) from the agency paying the benefits. The form will show the amount of unemployment compensation they received during 2020 in Box 1, and any federal income tax withheld in Box 4. Taxpayers report this information, along with their W-2 income, on their 2020 federal tax return. For more information on unemployment, see Unemployment Benefits in [Publication 525](#). IRS Newswire IR-2020-185, www.irs.gov, August 18, 2020.

18. SOCIAL SECURITY UNVEILS REDESIGNED RETIREMENT BENEFITS PORTAL:

The Social Security Administration announced the first of several steps the agency is taking to improve the public's experience on its website. The newly redesigned retirement benefits portal, at www.socialsecurity.gov/benefits/retirement, will help millions of people prepare for and apply for retirement.

"We are working hard to continue improving our website to provide people with clear, helpful information and easy access to our online services," said Andrew Saul, Commissioner of Social Security. "Our new retirement portal is more user-friendly and easier to navigate, whether someone is ready to learn about, apply for, or manage their retirement benefits."

The redesigned portal will make it easier for people to find and read about Social Security retirement benefits, with fewer pages and condensed, rewritten, and clearer information. The portal also is optimized for mobile devices so people can learn and do what they want from wherever they want, and the portal now includes the ability to subscribe to receive retirement information and updates.

Click on www.socialsecurity.gov/benefits/retirement to find out how to Learn, Apply, and Manage retirement benefits, and learn how to create a personal my Social Security account online.

More improvements to Social Security's website are planned for later in 2020 as the agency seeks to continuously improve the public experience at www.socialsecurity.gov. Mark Hinkle, Acting Press Officer, Social Security Press Release, www.ssa.gov, August 18, 2020.

19. FOR THOSE WHO LOVE WORDS (LOGOPHILES):

Police were called to the daycare center. A 3-year old was resisting a rest.

20. EVER WONDER? Why is 'abbreviated' such a long word?

21. INSPIRATIONAL QUOTE:

Difficult and meaningful will always bring more satisfaction than easy and meaningless.

Maxime Lagacé

22. TODAY IN HISTORY:

On this day in 1964, US President Lyndon B. Johnson signs the Economic Opportunity Act, an anti-poverty measure totaling nearly \$1 billion.

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