

COVID-19: Market Update & Retirement Plans

For more information:

- Visit [Lockton's Coronavirus Advisory Practice](#) page.

Please be sure to refresh the page to get the latest links and information.

Plan oversight information:

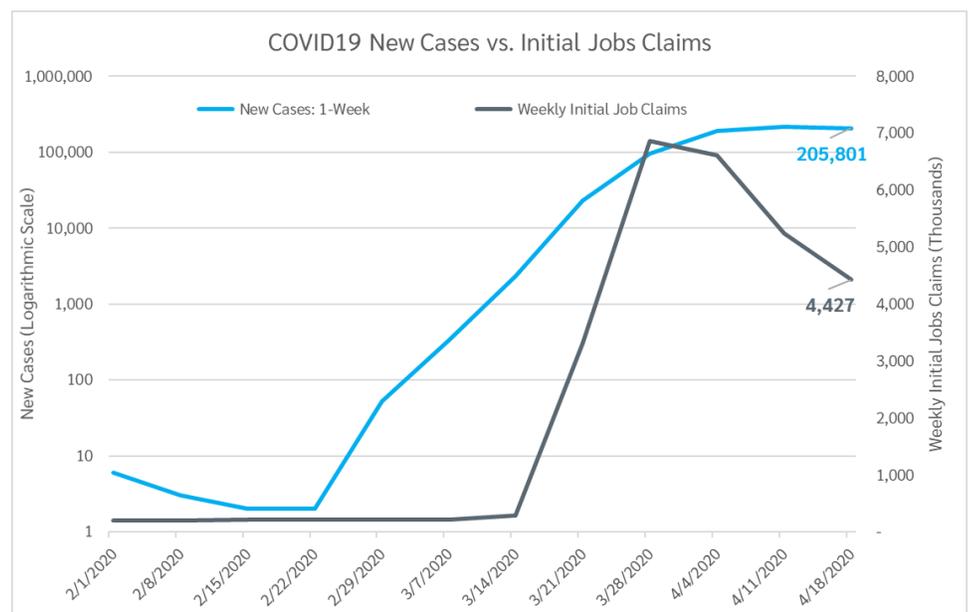
- [FAQs. UPDATED](#)
- [Understanding the fiduciary issues associated with bankruptcy. NEW](#)
- 401k Fridays podcast: [Economic, market and other predictions for the post-COVID-19 world. NEW](#)
- [CARES Act student loan reimbursement options. NEW](#)

Employee education:

- [Employee FAQs for plans implementing CARES Act provisions. NEW](#)

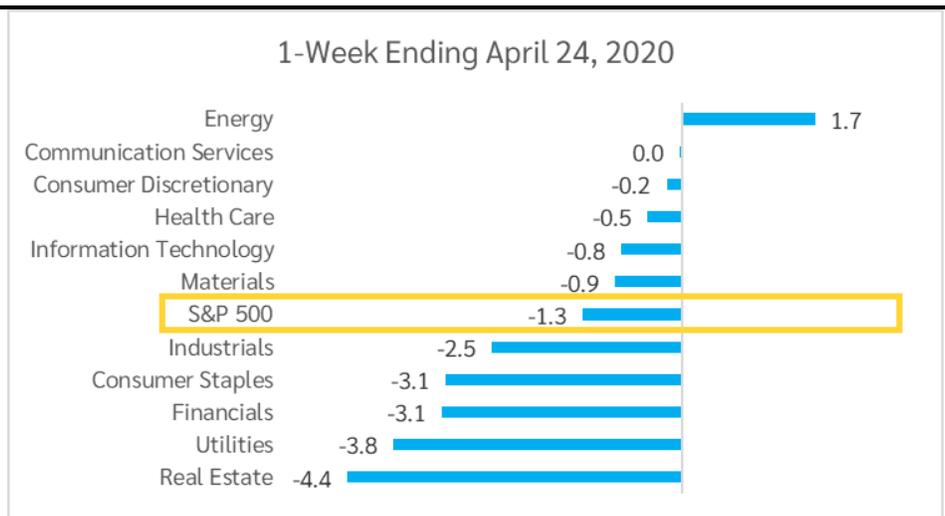
Volatility slows as market tracks trends.

April 28, 2020. Last week markets experienced choppy performance driven by earnings, COVID-19 treatment headlines, wild moves in the oil market, and Congress's work on another round of Paycheck Protection Program (PPP) and the Small Business Association (SBA) disaster assistance. The S&P 500 gained 1.4% on Friday to cut the week's losses to 1.3%. It gained another almost 1.5% yesterday.



Source: Johns Hopkins, Department of Labor, Lockton

At this phase of the COVID-19 outbreak and market correction, it is more useful to look at the change rate of new infections and unemployment claims rather than at the absolute levels. The Department of Labor reported 4.4 million new unemployment claims, more than six times the highest levels, but the pace of claims has been falling consistently over the last three weeks. While 200 thousand new COVID-19 cases weekly is certainly bad, the fact the curve has flattened over the last three weeks signals improvement ahead. Recent market sentiment has been partly fueled by contradicting reports on whether Gilead's Remdesivir would prove successful against COVID-19. Markets always attempt to anticipate and, during difficult periods, investors search for news that is "less negative" than previous reports or expectations.



Source: Standard & Poor's

While drug trial insights offered hope, energy news continued to disappoint. Oil prices in the June contract fell 32% to \$16.94 per barrel, continuing the 70% slide from \$60 levels in January. The May futures contract declined to a previously unimaginable of negative \$40 per barrel on Monday; essentially compensating buyers to take oil off sellers' hands. Reduced global demand and a shortage of storage availability left oil speculators with expiring contracts and no means to take physical delivery of the oil. Those investors had to sell at any price available, including deeply negative prices that were likely exacerbated by margin calls and other forced position selling.

Interestingly, energy was the week's lone positive sector. The industry has already absorbed steep declines and the wild pricing had little to do with the long-term oil price projections. Overall, the market volatility levels have been subsided somewhat, a favorable sign that the market anticipates recovery.

In other important news, the House passed a \$484 billion relief package yesterday to replenish funds for the PPP. The Senate passed the legislation last Tuesday, and President Donald Trump has indicated he will sign the measure into law. The bill allocates \$310 billion to the PPP giving small employers loans that will be forgiven if used to meet payroll. The latest relief package also provides \$60 billion for a small-business emergency grant and loan program, and it directs \$75 billion to healthcare providers and \$25 billion to coronavirus testing. For more information see [this summary](#) or visit Lockton's [Coronavirus Resource Page](#) which provides a variety of resources including frequently asked retirement questions. These questions are updated regularly. Some of the additions from last week are:

- We may need to temporarily reduce our employee's pay to keep our business afloat. Our employees would continue to work their normal hours. Are these employees eligible for a Coronavirus Related Distribution?

- Can an employee who was behind on their loan payments before March 27 use this relief to delay their loan going into default?
- Can an employee treat a deemed distribution of a defaulted loan as a Coronavirus-Related Distribution?
- Our plan calculates the safe harbor match annually. How do we address the true up provision when suspending the match midyear?
- Can we suspend our plan's safe harbor matching contribution if we took a loan from the Paycheck Protection Program but can still show we are operating at an economic loss?
- Also defined benefit, executive benefits, and employee education questions and answers.

NOTE: If you've visited the Corona Advisory site in the past, please be sure to refresh the page in order to update the links with the latest materials.

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