



**CYPEN & CYPEN**  
**NEWSLETTER**  
**for**  
**NOVEMBER 12, 2015**

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

**1. NEW YORK CITY'S PENSION MANAGERS WERE PAID OVER \$700 MILLION IN 2015:** Wall Street managers were paid an astounding \$708 million in fiscal year 2015 to handle the city's pension system -- but did such a terrible job that taxpayers were forced to cough up \$9.9 billion to make up for their shortfalls. Most of those costs, moreover, were kept

secret. Management fees jumped by \$178 million from \$530 million the year before. But New York City's Comptroller Scott Stringer says the vast majority of the increase stems from the discovery of previously undisclosed incentive fees according to the nypost.com. For too long, incentive fees have been hidden from public view, and there was a sense from money managers that they could get away with it. Real estate, private equity and hedge fund managers typically reported only the net profit on an investment without a breakdown of performance and other fees deducted from the gross. As one expert put it: it is like selling your house and having the agent say, here are your proceeds. But we are not saying how much we sold the house for, how much we charged you in commission and how much we charged you in fees. The comptroller is evaluating whether the fees were justified. Last year, the U.S. Securities and Exchange Commission found more than half of 400 private equity firms it examined charged inflated fees. The pension funds have guaranteed returns for retirees. If those targets are not met by the money managers, the city must make up the difference. Last year, taxpayers plowed 12.3% of the entire city budget -- almost \$10 billion -- into the employee pension system, which currently has \$162.9 billion in assets. More than 200 outside companies manage the investments, each charging a variety of fees. The comptroller said it took detective work to uncover the hidden payments -- and he expects to find more. We will not be satisfied until we know -- and can report -- all of the fees the city's pension funds are paying. Extra costs mean the pension funds may not get the best bang for the buck. These hidden fees are a drag on investment returns. They enhance the compensation of Wall Street, and

beg the question -- to whose benefit are these investments being made? Stringer's chief investment officer, Scott Evans, sent a letter last month to all pension money managers, demanding a complete history of all the fees they have charged. Those who do not comply by December 31st may be shut out of further investments, he warned. The California Public Employees' Retirement System, the nation's biggest pension fund, has taken similar steps in recent months.

**2. 2016 MEDICARE PARTS A & B PREMIUMS AND DEDUCTIBLES ANNOUNCED:** Centers for Medicare & Medicaid Services announced the 2016 premiums and deductibles for the Medicare inpatient hospital (Part A) and physician and outpatient hospital services (Part B) programs. The entire release can be found at <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-releases/2015-Press-releases-items/2015-11-10.html>.

**3. MILITARY MEMBERS OPPOSE PENSION REFORM:** Service members who expect to make a career out of the military prefer to stay with a traditional pension rather than opt for the retirement reforms recently proposed by Congress. According to plansponsor.com, the latest results of the First Command Financial Behaviors Index reveal that 70% of middle-class military families (commissioned officers and senior NCOs in pay grades E-6 and above with household incomes of at least \$50,000) who say they are likely to serve to full retirement want to be grandfathered into the current retirement system. The findings are consistent with monthly survey data collected since the Military

Compensation and Retirement Modernization Commission announced its proposal to restructure the traditional 20-year retirement system as a blended program that includes a reduced pension in exchange for a lump sum bonus and a new 401(k) type plan. ([See C & C Newsletter for February 5, 2015, Item 8](#)). However, the survey found many career military members are open to the idea of retirement reform for their non-career colleagues (that is, the people who would otherwise leave service without any government-sponsored retirement savings). Sixty-six percent of survey respondents are in favor of the proposed blended retirement system. When asked to explain why, those in favor of the proposed system said it will increase the amount of people who would be eligible for benefits and provide more financial benefits for service members. (Sounds to us like it's "I got mine, I don't care about yours"). The traditional 20-year retirement system has been an important part of our nation's commitment to ensuring lifetime retirement security for generations of our men and women in uniform. Military retirement reform is too big an issue to push through quickly. Caution should be used for proposes of moving forward at a slow and intentional pace that reassures our service members and encourages a continued public debate.

**4. THE MOST TERRIFYING RETIREMENT STATISTIC YET?:** If you thought American workers were having a tough go saving for retirement, a statistic from *The Motley Fool* will overly shock you. It is no secret that far too many Americans are not saving enough to retire comfortably and on their own terms. No matter what study you analyze, the reality is the same across the board Americans are poor savers, and many are facing

a money shortfall in their retirement years if they do not adjust their present course. Not including defined saving accounts such as a 401(k), about 25% say they do not have any emergency funds saved up. Another quarter had enough in emergency savings to cover up to, but not more than, three months of expenses. (Most experts recommend six months of emergency savings, at minimum.) Yet, a savings shortfall by workers may not be the scariest retirement statistic: only 40% have created a financial plan, which means 60% of American workers are essentially closing their eyes, throwing a dart, and hoping that everything works out okay. Further, just one in six (17%) admitted to using financial tools or resources that were provided by their employer to aid in their ability to save. In other words, a majority of Americans potentially have nothing saved for retirement because they lack the skills to understand where to start and how effectively to deploy the capital they have saved. About half affirm they are saving regularly for retirement, although 37% of respondents admitted that they cannot really afford to save any money toward their retirement. Additionally, 91% suggested that they want help saving for retirement and covering their long-term needs.

**5. THE FUTURE OF SOCIAL SECURITY; ANSWERS TO KEY QUESTIONS:** In light of financial challenges facing Social Security's benefit programs, including the projected depletion of the Disability Insurance trust fund in 2016, U.S. Government Accountability Office has updated and expanded on its 2005 guide on Social Security. This updated guide is intended to describe, in a concise and easy-to-understand way, the complexities of Social Security retirement and

disability programs, the challenges these programs face and the options available to address these challenges. The guide also includes a framework for evaluating policy options. The guide has five sections, as follows:

- **Section I: How Does Social Security Work?** This section explains how Social Security works, including the benefits that are provided through the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs, and how the programs are funded.
- **Section II. Why Is There a Need for Changes to Social Security?** This section explains the financial and other challenges facing both programs, including their causes and broader implications for the federal budget.
- **Section III. What are the options for addressing Social Security's challenges?** The third section presents a range of policy options that have been proposed to address challenges for the OASI program. Options to alter OASI benefits could also apply to the DI program.
- **Section IV. What are the options for addressing challenges specific to the DI program?** The fourth section presents a range of policy options that have been proposed to address challenges for the DI program.
- **Section V: A Framework for Evaluation.** The fifth section of this guide provides a framework for evaluating the various policy options.

**6. SURVEY OF EMPLOYEES WITHOUT WORKPLACE RETIREMENT**

**PLANS:** Greenwald & Associates conducted an online survey for the state of California of employees without workplace retirement plans. The following come from the report of findings released October 2015:

- California uncovered workers are interested in a retirement savings program that automatically enrolls them but gives them the option not to participate.
- Most would participate in the program only about a quarter would opt out, regardless of whether the deferral rate is 3% or 5%.
- Automatic escalation is not a deal breaker for participation for most; liquidity is a somewhat larger potential barrier.
- There is a clear preference for savings in the program to be invested for long term growth rather than for protecting against loss.
- Other key features of the program are appealing large majorities say each of seven program features tested are highly attractive.
- The vast majority of uncovered workers have the desire and the ability to put at least some money aside for retirement, but most have not done much, if anything, to build a retirement nest egg.
- The leading barriers for not saving more for retirement include low earnings and the debt burden they carry these two issues are the primary reasons for over half of uncovered workers.
- Most prefer online interaction with the proposed plan through a

website or email, but there is a segment who requires talking by phone to customer service.

**7. LAW FIRMS HAVE HIGHEST AVERAGE RETIREMENT ACCOUNT BALANCES (SURPRISE):** Workers at law firms might be the most set for retirement, as that industry had the highest average 401(k) participant account balance -- \$186,176 -- according to the 2014 PLANSPONSOR Defined Contribution Survey. They are followed by utilities (\$129,703); accounting firms (\$120,216); Fortune 1000 companies (\$111,550); and research and development (R&D) companies (\$110,071). The 401(k) participation rate is highest among labor unions, with 89.1% of labor union workers participating in their retirement plan, followed by credit unions (87.9%), pharmaceuticals (86.3%), utilities (86.3%) and accounting firms (86.2%). Labor unions also had the highest average participant deferral rate (9.4%), followed by R&D companies (8.3%), pharmaceuticals (8.1%), aerospace and defense companies (7.9%), and colleges and universities (7.8%). Hard to believe that doctors did not make the list.

**8. WHAT IT IS LIKE FOR A POLICEMAN'S FAMILY IN TODAY'S ANTI-LAW ENFORCEMENT CULTURE:** Despite constant threats over their loved one's profession, a police family is speaking out to show the public a different side of law enforcement life. A side that often gets drowned out by hate-fueled headlines and negative opinions of the law enforcement community. The following short video basically says it all. Watch it at: <http://www.leoaffairs.com/featured/this-is-what-its-like->

[for-a-policemans-family-in-todays-anti-law-enforcement-culture/?utm\\_source=feedburner&utm\\_medium=email&utm\\_campaign=Feed%3A+leoaffairs+%28LEOAFFAIRS.COM%29](http://for-a-policemans-family-in-todays-anti-law-enforcement-culture/?utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+leoaffairs+%28LEOAFFAIRS.COM%29).

**9. RETIREMENT AGE IS A MAGIC NUMBER:** It is how much Social Security per month a person born in 1960 or later could receive depending on which age they start their benefits according to International Foundation of Employee Benefit Plans. Pre-retirees apparently do not know much about Social Security. Or at least that is what a recent survey says. In fact, only 9% of consumers believe they are very knowledgeable about how Social Security benefits are determined, according to a survey released in September by the Financial Planning Association and AARP. If that is the case, what is the bare minimum you should know about Social Security? Here's what experts had to say.

- **Full Retirement Age.** Your age at the time you elect retirement benefits affects the amount of your Social Security benefit and, in many cases, your spouse's benefit, too. You can elect to receive your benefit anytime from 62 to age 70, but there is a certain age when you are entitled to full or unreduced retirement benefits. That would be your full retirement age.
- **Reduced Benefits.** Start taking your benefits before your FRA and your monthly payment will be reduced. That reduction could be anywhere from 20% to 35% depending on your FRA and whether it is your or your spouse's benefit. The most important thing pre-

retirees need to know about Social Security is the consequences of filing for benefits before full retirement age. Their benefit will be permanently reduced, causing them to give up many tens of thousands of dollars in benefits over their lifetime. Spousal strategies can add as much as \$60,000 to a household's lifetime benefits. But those who file for Social Security before FRA cannot use such strategies unless they catch it within the first 12 months of filing. That date is when you can withdraw your application and start over at full retirement age, and can take advantage of these spousal strategies.

- **Increased Benefits.** If, however, you delay retirement benefits until after your FRA, you are likely eligible for delayed retirement credits, or DRCs. In essence, you can use these credits to increase permanently the amount of your old-age benefit. In essence, you would earn a credit for each month (two-thirds of 1% per month or 8% per year) in the period beginning with the month you hit FRA and ending with the month you turn 70. So, a person born in 1960 whose benefit was \$1,000 per month at FRA could get \$1,240 a month if he waits until age 70 to claim his Social Security benefit. By contrast, that same person would receive just \$700 if he claimed Social Security at age 62. If you factor in cost-of-living adjustments at 1.5%, the difference between taking your benefit at 62 vs. 70 could be 88%, says David Cechanowicz, director of education for Social Security Timing, a software program used by financial professionals to run benefit calculations. And that, he says, is almost a "doubling of the higher earner's

benefit."

- **Know Your FRA.** Your FRA depends on when you were born. For those born in 1960 or later, your FRA is age 67. For those born in 1937 or earlier, the FRA was 65. And for those born from 1938 to 1959, your FRA is somewhere in between.
- **Consider Your Spouse.** By waiting until at least FRA, if not age 70, someone's monthly benefit will be higher than if he or she had claimed it earlier. It also means that any survivor benefit that might eventually be paid will be higher, as well.
- **Working and Waiting.** Once you reach FRA, you can earn as much as you might like and receive a full Social Security benefit at the same time. These additional earnings can possibly increase someone's monthly payment amount, because retirement benefits are calculated by averaging someone's highest 35 years of earnings, no matter when those years occur.
- **Do not Decide in a Vacuum.** A Social Security filing decision should not be made in a vacuum. The decision on when and how to file for Social Security, should be made as part of the overall retirement income plan with your financial goals, life expectancies and financial fears in mind.

**10. TOP 20 PLACES FOR MILLENNIALS TO WORK:** Want to attract the best young talent? Great Places to Work has assembled its top picks of employers with fantastic benefits and great working environments -- just the sort of places Millennials are flocking to for work in 2015. Here are the top 20:

- **Power Home Remodeling Group.** Nearly all of Power Home Remodeling Group's employees praise the company's culture and leadership, including the opportunities to advance, the supportive atmosphere and the yearly all-paid vacation to Mexico. Whatever their reasons, employees are proud to help customers find green solutions to home remodeling. Culture is king at this family-owned company.
- **David Weekley Homes.** There is a particular attentiveness to Team Members' spiritual well-being, with a chaplain service and Employee Assistance Program available to those who need it.
- **Allied Wallet.** The company creates strong ties among staff through frequent gifts, special events, fun parties and free Friday lunches where everybody sits and eats together.
- **Pinnacle Financial Partners.** When the firm succeeds, everyone benefits. All associates receive stock shares -- on top of commissions -- and non-commissioned staff receive bonuses that were worth \$14.5 million alone last year.
- **Acuity.** When employees describe ACUITY, one word comes up a lot: generous. That goes for this insurance company's extensive charitable endeavors, as well as the 8% company contribution to 401(k) accounts, profit sharing and 50-pound gift boxes at the holidays.
- **Ultimate Software.** Employees say Ultimate Software has effectively built its workplace around their well-being. There are Vitamix blenders for fresh smoothies in every office, the health

insurance is free and the company frequently sends its teams to tropical locales to recognize accomplishments.

- **Workday.** Workday offers unlimited time off, the opportunity to work overseas and employee clubs for everything from hiking to meditation.
- **The Boston Consulting Group.** BCG is a consulting firm specializing in business strategy and general management. Perks include the Polaris Award to project teams that deliver quantifiable results to clients and fun awards to individuals for off-beat or unique reasons like special hobbies or quirks.
- **SAS.** Employees describe SAS as a workplace that seeks to go a bit above and beyond. Many companies offer a gym, but few even have indoor swimming pools.
- **Edward Jones.** Edward Jones is invested in its people's success, making sure they have the training, guidance and work/life balance they need to thrive.
- **Chili's Grill & Bar.** People who work for Chili's overwhelmingly describe a welcoming, flexible workplace quick to celebrate their team's achievements.
- **World Wide Technology.** The global IT company rewards its employees well for their efforts, with profit sharing and spot bonuses.
- **Intuitive Research and Technology Corporation.** The aerospace engineering firm's reticence to lay people off during funding dry spells has fostered strong loyalty among employees. And overall, team members paint a picture of appreciative,

understanding managers who wholly embody the principles they tout.

- **Burns & McDonnell.** The engineering and architecture firm is 100% employee-owned, so everyone has an equal piece of the action. Being able to see how their own bottom lines benefit from their hard work inspires them to collaborate and go the extra mile.
- **Plante Moran.** The certified public accounting firm shines at listening, seeking feedback and responding with changes, from an initiative for women in leadership to dropping a client that treated staff badly.
- **Atlantic Health System.** The northern New Jersey and eastern Pennsylvania health care provider is like one big family. It is no wonder that 95% of employees say it is a friendly place to work, and that they want to work here for a long time.
- **Kimpton Hotels & Restaurants.** “Free to be me” could be the motto at Kimpton Hotels & Restaurants, where staff are not only allowed to be themselves at work, they are actively encouraged to express their uniqueness.
- **Credit Acceptance.** The auto credit provider believes comfort is important to the company, so jeans and flip-flops can be every-day attire, and locations come equipped with relaxation rooms, ping pong tables and video games. Other perks include uncapped sales commissions, performance bonuses, flexible schedules, regular drawings for meals, concert tickets, sporting events and restaurant gift cards.
- **Standard Pacific Homes.** The construction and real estate

company has an open-door policy among company leaders, who frequently travel to divisions across the country to motivate employees.

- **Kimley-Horn.** A land planning and design consultant, is the kind of employer where the CEO takes a new hire to lunch, and managers consider how different generations communicate.

### **11. NAKED WOMAN COVERED IN KETCHUP ARRESTED FOR**

**INCITING A RIOT IN MIAMI BEACH:** The 22-year-old Kendall woman strutted into the Johnny Rockets on Ocean Drive, topless and laughing -- but of course. And then things really got crazy. As witnesses filmed, the girl untied her bikini bottom and placed a steel chair leg into her buttocks (?). Video of the incident went viral -- no kidding. The woman has been arrested on charges of indecent exposure, lewd and lascivious behavior, and disorderly conduct. The woman later confessed to the incident on Instagram, as she appeared still naked. Would you like fries with that, Ma'am?

**12. THE INCOMPARABLE THOMAS JEFFERSON:** Thomas Jefferson's portrait is on the Two Dollar Bill. Jefferson was a remarkable man who started learning very early in life and never stopped.

At 5, began studying under his cousin's tutor.

At 9, studied Latin, Greek and French.

At 14, studied classical literature and additional languages.

At 16, entered the College of William and Mary.

Also could write in Greek with one hand while writing the same in Latin

with the other.

At 19, studied law for 5 years starting under George Wythe.

At 23, started his own law practice.

At 25, was elected to the Virginia House of Burgesses.

At 31, wrote the widely circulated "Summary View of the Rights of British America" and retired from his law practice.

At 32, was a delegate to the Second Continental Congress.

At 33, wrote the Declaration of Independence.

At 33, took three years to revise Virginia's legal code and wrote a Public Education bill and a statute for Religious Freedom.

At 36, was elected the second Governor of Virginia succeeding Patrick Henry.

At 40, served in Congress for two years.

At 41, was the American minister to France and negotiated commercial treaties with European nations along with Ben Franklin and John Adams.

At 46, served as the first Secretary of State under George Washington.

At 53, served as Vice President and was elected president of the American Philosophical Society.

At 55, drafted the Kentucky Resolutions and became the active head of Republican Party.

At 57, was elected the third president of the United States.

At 60, obtained the Louisiana Purchase doubling the nation's size.

At 61, was elected to a second term as President.

At 65, retired to Monticello.

At 80, helped President Monroe shape the Monroe Doctrine.

At 81, almost single-handedly created the University of Virginia and

served as its first president.

At 83, died on the 50th anniversary of the Signing of the Declaration of Independence.

### **13. 45TH ANNUAL POLICE OFFICERS' AND FIREFIGHTERS'**

**PENSION TRUSTEES' CONFERENCE:** The 45th Annual Police Officers' and Firefighters' Pension Trustees' Conference will be held on November 17-19, 2015. You may access information and updates about the Conference, including area maps, a copy of the program when completed and links to register at the Radisson in Celebration, Florida. Please continue to check the FRS website for updates regarding the program at [www.myflorida.com/frs/mpf](http://www.myflorida.com/frs/mpf). All police officer and firefighter plan participants, board of trustee members, plan sponsors and anyone interested in the administration and operation of the Chapters 175 and 185 pension plans should take advantage of this unique, insightful and informative program.

**14. ON SECOND THOUGHT...MAYBE THEY WERE WRONG?:** There is no reason for an individual to have a computer in his home. – Ken Olson, president, chairman and founder of Digital Equipment Corporation, in a talk given to a 1977 World Future Society meeting in Boston.

**15. TODAY IN HISTORY:** In 1939, Jews in Lodz, Poland ordered to wear yellow star of David.

**16. KEEP THOSE CARDS AND LETTERS COMING:** Several readers regularly supply us with suggestions or tips for newsletter items. Please feel free to send us or point us to matters you think would be of interest to our readers. Subject to editorial discretion, we may print them. Rest assured that we will not publish any names as referring sources.

**17. PLEASE SHARE OUR NEWSLETTER:** Our newsletter readership is not limited to the number of people who choose to enter a free subscription. Many pension board administrators provide hard copies in their meeting agenda. Other administrators forward the newsletter electronically to trustees. In any event, please tell those you feel may be interested that they can subscribe to their own free copy of the newsletter at <http://www.cypen.com/subscribe.htm>.

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

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