



CYPEN & CYPEN
NEWSLETTER
for
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Never Forget September 11, 2001

and

Always Remember May 2, 2011

**1. WOULD RAISING SOCIAL SECURITY RETIREMENT AGE POSE
HARDSHIP ON MILLIONS?:** A report from eurasiareview.com says
raising the retirement age for working individuals is one of the primary
proposals public officials discuss when it comes to Social Security. This

policy effort rests on the assumption that increases in life expectancy mean that workers can easily work beyond the current normal retirement ages. However, this assumption ignores the fact that increases in longevity disproportionately apply to those in higher income brackets, and that many workers cannot continue to meet the physical demands of their job. A new report from the Center for Economic and Policy Research using data from the Current Population Survey and Occupational Information Network updates an earlier report, comparing the findings on the percentages of older workers in physically demanding jobs or difficult work conditions in 2014 with the percentages found in 2009. The report, "Still Working Hard: An Update on the Share of Older Workers in Physically Demanding Jobs", shows that although there was a significant decline in the share of older workers who worked in jobs that have high physical demands compared to 2009, those declines disproportionately went to better educated and higher paid workers. Forcing older workers to work later into their life would pose a serious hardship for the millions of workers who work in physically demanding jobs or in difficult working conditions. The authors find that about 10.2 million workers ages 58 and older (43.8%) were employed either in physically demanding jobs or jobs with difficult working conditions. There is a clear class dimension when it comes to raising the retirement age since workers who are most likely to be in physically demanding jobs are Latinos, those with less than a high school degree, immigrants, and the lowest wage earners. According to the report, 51% percent of older Latino workers had physically demanding jobs, with 9.1% having jobs with high physical demands. By comparison, the percentages for Blacks

were 38.9% and 4.3%, respectively, and for White workers 31.8% and 2.8%. Older workers with less than a high school diploma had the highest share of workers in physically demanding jobs, with 68.4% in jobs with some physical demands and 12.8% in jobs with high physical demands. In contrast, only 22.7% of workers with a college degree were in physically demanding jobs, and 1.4% were in jobs with high physical demands. The report also noted that 46.6% of immigrant workers ages 58 and older had physically demanding jobs, compared to 32.7% for non-immigrant workers. Additionally, the report found that 54.8% of older workers in the bottom wage quintile had physically demanding jobs compared to 16.2% of those in the top quintile. The share in jobs with high physical demands was 6.4% for the bottom quintile and just 1.7% for those in the top quintile. From the standpoint of plans to increase the Social Security retirement age, these data indicate that many workers -- especially racial and ethnic minorities, less educated workers, and lower earners -- would face serious hardship by working later into their life. Something about which we have never thought.

2. IRS CURTAILMENT OF DETERMINATION LETTERS COULD BE

FINAL NAIL IN DB COFFIN: Benefitnews.com has published “What employers need to know about IRS’s plans to curtail determination letters.” As our readers know, in Announcement 2015-19, July 21, 2015, the Internal Revenue Service said it was eliminating the staggered five-year determination letter remedial amendment cycles for individually designed tax qualified retirement plans, effective January 1, 2017. Employers depend on these determination letters to ensure both their

defined benefit and defined contribution plans remain in compliance with the tax code. While not required to do so, most plan sponsors take advantage of the opportunity to have their plan reviewed, not only on adoption and termination, but at five-year intervals, particularly if documents are extensively amended during that period. The piece continues with questions to, and answers by, Brian Pinheiro, partner at Ballard Spar LLP in Philadelphia. The following demonstrate some, perhaps, unintended consequences:

- Q: What effect will the curtailment of the determination letter program have on plan sponsors?

A: Within the next year everybody is still going to have a fresh determination letter from the just-concluded five year cycle. Five years out, the question is going to be what a company has to do to prove that its plan is tax qualified.

One possible answer is that they will go to their lawyers and ask them to write an opinion letter stating the plan is compliant. ... It is not going to bind IRS, but it is something to show IRS in case of an audit. ...

- Q. Do you think the impact of these changes, will be another nail in the coffin of DB plans because it will just make them too risky to maintain?

A: I think DB plans are probably dead already, but this certainly does not help. DB plans are generally a lot more customized than DC plans so they do not lend themselves to prototype or volume submitter plans. You have got to wonder whether employers are going to be willing to have DB

plans without some protection from IRS.

Thank you, IRS.

3. CHICAGO TAKES CREDIT RATING HIT: Chicago had its credit rating cut to the lowest investment grade by Fitch Ratings, after the Illinois Supreme Court tossed out the city's plan for dealing with mounting debt in its workers' pension plans. ([See C & C Special Supplement Newsletter for March 28, 2016.](#)) The two-step downgrade to BBB-, one rank above junk, affected \$9.8 billion of general obligation bonds and \$486 million of debt backed by sales taxes. The company said the outlook is negative, indicating the rating could be lowered further, according to a report from bostonglobe.com.

4. CHECK TAX REFUND STATUS ONLINE: Internal Revenue Service reminds taxpayers that they can quickly check the status of their tax return and refund through "[Where's My Refund?](#)" on IRS.gov. This tip is called Tax Time Guide, and is designed to help taxpayers navigate common tax issues, as the year's extended April 18th deadline approaches. Taxpayers who have not yet received their refunds can use "Where's My Refund?" on IRS.gov or on the smartphone application [IRS2Go](#) to find out about the status of their income tax refunds. Initial information will normally be available within 24 hours after IRS receives the taxpayer's e-filed return or four weeks after the taxpayer mails a paper return to the IRS. The system updates only once every 24 hours, usually overnight, so there is no need to check more often. So far, taxpayers have used "Where's My Refund?" more than 231 million times,

an increase of nearly 35% over last year at the same time. Taxpayers should have their Social Security number, filing status and exact refund amount when accessing "Where's My Refund?" Those without Internet access can call 800.829.1954, 24 hours a day. IRS Newswire, Issue Number: IR-2016-51 (March 29, 2016.)

5. EX-COURT ADMINISTRATOR GUILTY OF THEFT SUES FOR RETIREMENT BENEFITS: The former Philadelphia court administrator who pleaded guilty to stealing more than \$70,000 from the Judicial District has sued the city in hopes of winning back her nearly \$80,000 annual retirement benefits, according to *The Legal Intelligencer*. Deborah Dailey, former deputy clerk of courts who pleaded guilty to theft last year in connection with charging more than \$73,000 to the court system's credit cards, has sued the city of Philadelphia and Philadelphia Board of Pensions and Retirement. Dailey's suit claims that the board, which ruled last month permanently to suspend and disqualify her from benefits, is improperly withholding her benefits, and alleges violations of the due process, taking and excessive fines clauses of the U.S. Constitution. Although Dailey pleaded guilty last year to theft of movable property by unlawful taking or disposition, the complaint argues that sections of the Philadelphia Public Employees Retirement Code disqualifying employees from benefits for theft, embezzlement, illegally taking money or engaging in malfeasance while in office are vague and do not apply to the court system. Dailey, who just turned 55, became eligible for \$78,000 per year in retirement benefits, amounting to more than \$2.3 million over the next 30 years. In fact, Dailey was paid \$6,338 per month in July, August and

September, until the forfeiture was formally imposed. Lots of Luck, Lady.

6. FIREFIGHTERS BREAK PROTOCOL TO SAVE LIFE, RECEIVE

SUSPENSIONS: Change.org reports Captain James Kelley and Sergeant Virgil Bloom of the Falmouth Volunteer Fire Department saved a life. (So far, so good.) While out running errands, Brian Nunamaker noticed his 18-month-old daughter was having a seizure, and pulled over in panic. The volunteer firefighters happened upon the scene, and determined waiting 15 minutes for the ambulance to arrive could cost the child her life. They quickly shuttled the child to the nearest hospital, saving the little girl. Their actions in other fire departments and emergency services, would have been commended and celebrated as a job well done. But, Stafford County Fire and EMS, which oversees the firefighters, shocked the community when they were suspended for failure to wait for the ambulance. The suspension made headlines, and there was a public outcry. The department quickly reinstated the firefighters, but after calling into question their judgment and jeopardizing their professional reputation. People who think the firefighters deserve more have started campaigning to commend the heroes.

7. NEVER TRY TO GRAB A LADY'S PURSE IN TEXAS: Just gotta love those Texas girls. They know how to pack a purse. Here is why you should never attempt to grab a lady's purse in Texas. Happy hunting.

http://www.youtube.com/watch_popup?v=qrhSf8CEgC8.

8. BUT OFFICER, I'LL DO ANYTHING: Find out how Mike, the cop,

handles that driver who will “do anything to get out of a ticket.” Quite simple, and works every time. http://www.leoaffairs.com/police-humor/but-officer-ill-do-anything/?utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+leoaffairs+%28LEOAFFAIRS.COM%29. [Kudos to leoaffairs.com for this one.]

9. PENSIONS, OFFICE ALLOWANCES AND OTHER FEDERAL

BENEFITS: Congressional Research Service has prepared a report for Members and Committees of Congress. The Former Presidents Act (3 U.S.C. §102) was enacted to “maintain the dignity” of the Office of the President. [Clearly, that sentence was written before this year’s presidential campaigns.] The act provides the former President and his or her spouse, certain benefits to help him respond to post-presidency mail and speaking requests, among other informal public duties often required of a former President. Prior to enactment of the FPA in 1958, former Presidents leaving office received no pension or other federal assistance. The FPA charges the General Services Administration with providing former U.S. Presidents a pension, support staff, office support, travel funds, and mailing privileges. Pursuant to statute, former Presidents currently receive a pension that is equal to pay for Cabinet Secretaries, which for calendar year 2015 was \$203,700. Executive Level I pay was increased to \$205,700 for calendar year 2016. In addition to benefits provided pursuant to the FPA, former Presidents are also provided Secret Service protection and financial “transition” benefits to assist their transition to post-presidential life. Pursuant to the FPA,

former Presidents are eligible for benefits unless they hold “an appointive or elective office or position in or under the Federal Government or the government of the District of Columbia to which is attached a rate of pay other than a nominal rate.” The President’s FY2017 budget request seeks \$3,865,000 in appropriations for expenditures for former Presidents, an increase of \$588,000 (17.9%) from the FY2016 appropriation level. The increase in requested appropriations for FY2017 anticipates President Barack Obama’s transition from incumbent to former President. For FY2016, President Obama requested and received appropriations of \$3,277,000 for expenditures for former Presidents, an increase of \$25,000 from FY2015 appropriated levels. Some critics of the Former Presidents Act say the statute subsidizes Presidents who are not struggling financially. Others argue that although a former President is not in a formal public position, he remains a public figure and should be provided a pension and benefits that permit him to perform duties that emerge as a result of his public status. In the 114th Congress (2015-2016), the House and Senate are considering similar legislation that would amend the FPA. Both bills (H.R. 1777 and S. 1411) would set a former President’s pension at \$200,000 annually, with increases each year by the same percentage authorized for benefits provided by the Social Security Act (42 U.S.C. §401). Both pieces of legislation would provide a former President an additional \$200,000 annual allowance to be used as he determined and would remove other benefits currently provided to former Presidents, including those currently provided for travel, staff, and office expenses. Additionally, the bills propose that for every dollar a former President earned in each fiscal year in excess of

\$400,000, his federal annuity would be reduced by \$1. GSA data on payments to former Presidents show that the value of benefits provided to each of the living former Presidents, when adjusted for inflation, have generally declined from FY1998 through FY2015. The nominal appropriation levels for former Presidents' benefits, however, increased through FY2011 and then declined from FY2011 through FY2015. This report provides a legislative and cultural history of the Former Presidents Act. It details the benefits provided to former Presidents and their costs. Congress has the authority to reduce, increase, or maintain the pension and benefits provided to former Presidents of the United States. The report considers the potential effects of maintaining the FPA or amending the FPA in ways that might reduce or otherwise modify a former President's benefits. 7-5700, RL34631

10. SO YOU THINK YOU KNOW EVERYTHING: There are only four words in the English language which end in "dous": tremendous, horrendous, stupendous, and hazardous.

11. TODAY IN HISTORY: In 1909, Baseball rules players who jump contracts are suspended for 5 years.

12. 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.

13. 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>.

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