



CYPEN & CYPEN
NEWSLETTER
for
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Never Forget September 11, 2001

and

Always Remember May 2, 2011

1. NEW JERSEY WINS ANOTHER BIG PENSION CASE: The New Jersey Supreme Court rejected a second legal challenge to Governor Christie's 2011 pension overhaul, ruling that the state did not violate a contractual right when it froze cost-of-living increases for retired public employees ([See C & C Newsletter for June 11, 2015, Item 1](#)). The 6-1

decision is a big fiscal win for the state, which had warned that an adverse ruling could have a devastating impact on the pension system for public employees, according to *The Philadelphia Inquirer*. Suspending cost-of-living adjustments at 2011 levels reduced the pension system's unfunded liability by \$17.5 billion. The system still has a \$40 billion unfunded liability. Christie described the ruling that spares taxpayers from the burden of unaffordable benefit increases for public employee unions. An analyst for Moody's Investors Service said the decision eliminates a major threat to the state's fiscal stability, which is already challenged by narrow reserves and large, rapidly growing pension costs. A group of retired prosecutors, along with unions representing public employees, argued that Christie had impaired workers' contractual right to cost-of-living adjustments upon retirement, which they said was enshrined in a 1997 law. Plaintiffs said this violated the contracts clauses of the state and U.S. Constitutions.

2. MORE EMPLOYEES SAVING FOR RETIREMENT SINCE PPA: In large part due to automatic retirement plan design features, aggregate participation rates are higher than ever, and continue to rise, according to Vanguard's 15th anniversary edition of its "How America Saves" report. Plansponsor.com says since this year marks the 10th anniversary of the Pension Protection Act, Vanguard's report includes findings that reflect the impact of the law on improving plan construction and participant investing behaviors in defined contribution plans over the past decade. For example, among its

provisions, PPA enabled automatic enrollment of workers into 401(k) plans at a default savings contribution rate, as well as the auto escalation of workers' contribution rates on a periodic basis. As of year-end 2015, 41% of Vanguard plans had adopted automatic enrollment, up from just 10% of plans a decade ago. Of those plans, 70% featured automatic annual increases. Last year, 63% of new Vanguard participants were hired under automatic enrollment, versus 12% in 2006. In 2015, three-quarters of eligible employees participated in their employer's plan, up from two-thirds ten years ago. The PPA also sanctioned the use of target-date funds as a qualified default investment alternative. Target-date fund use has nearly doubled since the passage of the PPA, with 90% of Vanguard plan sponsors offering target-date funds at year end 2015. In aggregate, 98% of participants now have access and 70% of participants use target-date funds.

3. GENDER AND MARITAL STATUS COMPARISONS AMONG

WORKERS: According to the 26th annual Retirement Confidence Survey, married men and women are more likely than unmarried men and women to report having saved for retirement. Eight in 10 married workers say they have saved for retirement, compared with a little over half of unmarried workers. Similarly, married workers are more likely than unmarried workers to report having money in a defined contribution plan or individual retirement account, including a rollover IRA. Unmarried workers are more than twice as likely as married workers to have less than \$1,000 in total household savings and

investments. At the other extreme, married workers are far more likely than either unmarried women or unmarried men to report having accumulated at least \$250,000. Married workers (56%) are more likely than unmarried workers (37%) to say they have tried to calculate how much they will need to have saved by the time they retire so that they can live comfortably in retirement. Despite the fact that women tend to face higher expenses in retirement due to their greater longevity, unmarried women (36%) are more likely than their unmarried male counterparts (25%) to think they will need to accumulate less than \$250,000 for retirement. Married workers are also more likely than unmarried workers of either gender to report having taken other steps to plan for retirement at a household level, such as estimating how much monthly income is needed, talking with a professional financial advisor about retirement planning, calculating how much will likely be needed to cover health expenses in retirement, and preparing a formal, written financial plan for retirement. Statistically, there are no differences in the age at which workers plan to retire by gender and marital status; all groups have median expected retirement age of 65. Despite their longer life expectancy, women are statistically as likely as men to think they are very likely to live until age 85 (38% of women and 35% of men). Unmarried women, however, are more likely to say they are very likely to live until age 95 (15%) than unmarried men (9%) or married men (7%) and married women (8%). Unmarried men, unmarried women, and married women are more likely than married men to say they are very or somewhat interested in purchasing an insurance product with a portion of their savings that begins providing

guaranteed monthly income at some point in the future, such as age 80 or 85. Unmarried women are most likely to say they are interested (44%), followed by unmarried men (40%) and married women (40 percent). Married men are least likely to express interest (29%).

Unmarried women (48%) are more likely than married men (25%) and married women (33%) to report that Social Security will be a major source of income in retirement. Unmarried men are also more likely to report that Social Security will be a major source of income than married men (37% vs. 25%). Married men are the least likely to say that employment will be a major source of income in retirement (11% vs. 26% of unmarried men, 23% of unmarried women, and 17% of married women). Unmarried workers are less likely to think money from a DC plan (40%) will be a major or minor source of retirement income than their married counterparts (50%). Married men are more likely to say they are very confident that they will have enough money to live comfortably in retirement compared with unmarried women. Unmarried women express less confidence that they will have enough money to take care of basic expenses in retirement or that they will have sufficient funds to cover long-term care compared with married men, married women, and unmarried men. Married men are more likely than unmarried men to report being very or somewhat confident that they are doing a good job preparing financially for retirement. Compared with married women, married men are more likely to say they are very confident that Social Security and Medicare benefits will continue to be equal in value to the benefits received by today's retirees.

4. NO CONSTITUTIONAL RIGHT TO CARRY CONCEALED GUNS

IN PUBLIC: As reported by *Governing*, in a major victory for gun control advocates, a federal appeals court upheld California's handgun license law, saying there is no constitutional right to carry concealed weapons in public, and setting the stage for a potential showdown in the U.S. Supreme Court. The Second Amendment does not protect, in any degree, the carrying of concealed firearms by members of the general public, the Ninth U.S. Circuit Court of Appeals in San Francisco said in a 7-4 decision. The ruling upheld a century-old state law, which a previous court panel had declared unconstitutional, requiring handgun owners to obtain licenses from local law enforcement agencies before carrying concealed weapons in public. The issue could be headed for the U.S. Supreme Court, which ruled in 2008 that the Constitution's Second Amendment protects the right to possess guns at home for self-defense, but has not said whether that right applies outside the home. Several other federal appeals courts also have concluded that states can restrict carrying loaded weapons in public, but in 2012 an appellate panel struck down an Illinois ban on carrying concealed weapons in public. The Supreme Court often takes up cases to resolve conflicts in appellate courts.

5. WAYS RECENT GRADS CAN ACHIEVE TRUE FINANCIAL

FREEDOM: If you are a recent college graduate you likely have some major life transitions coming your way in the not so distant future according to aboutmoney.com. Despite all of the financial

uncertainties that may be looming over the horizon it is important to have a financial plan to guide you during the transition. Financial plans are essential, whether you are getting started in your career, moving to a brand new city, or simply trying to upgrade your home or apartment. However, if you are like many other recent graduates you may have trouble thinking about retirement since you may be beginning your life after school. Using the concept of beginning with the end in mind, here are some tips to help you achieve true financial freedom:

- Establish a written financial plan that is flexible. Just remember that your financial plan will not probably look anything like your parents' financial plan. You can begin the creation of your written plan by making a list of "SMART" financial goals.
- Make savings automatic. When you examine your spending plan, you should strive to put savings as a top priority. Always strive to save as much as you possibly can, but focus on saving in the right type of accounts. An emergency fund is one of the first places to direct your savings efforts. Most financial planners recommend trying to maintain at least 3-to-6 months of basic living expenses in a separate account from your everyday checking account.
- Realize when it is okay to prioritize paying off debt ahead of savings. There are a few exceptions to the ultimate goal of keeping 3-to-6 months of living expenses in an emergency savings fund. One of those exceptions is if you have high

interest credit cards or other personal loans. In that case, it is necessary to establish a “starter emergency fund” which may be \$1,000 to \$2,000 and then make extra payments on that debt which are above and beyond the required minimum payments. One of the best financial habits to create early in your career is to always pay the full balance due on credit cards each month.

- Avoid future temptations to remove money from your retirement accounts. The days of working for one employer throughout an entire career are long gone. So it is no surprise that your first job after graduation will not be your last. Many people make the mistake of cashing out retirement plans when switching jobs instead of benefitting from continued tax deferral through 401(k) or IRA rollovers. Not only are 401(k) withdrawals subject to the 10% early withdrawal penalty, they also rob future retirement savings.
- Recognize that your credit score is important but does not guarantee financial freedom. Yes, it is important to consistently monitor and review your credit...but do not obsess over it. That being said, you should not wait until you are ready to buy a car or house to check your credit score. If you have not started building your credit while in college, you can visit sites such as the Annual Credit Report.com.
- Focus on financial priorities rather than letting student loan frustration guide your decisions. According to recent estimates, the average student loan debt for the class of 2016 is \$37,172. Student loans definitely appear extremely overwhelming when

you first graduate from school. However, there is a variety of payment options available and it is essential to recognize that student loans are not the only form of debt to be laser-focused on.

- Define what financial independence means to you. The reality is that every one of us should have our own unique definition of retirement. But it is extremely difficult for recent graduates to consider the idea of life after work since most grads are just launching new careers. Instead of focusing on a long-term goal and trying to predict what your future self will be like, place your emphasis on defining what financial freedom looks like to you in the here and now.
- Use the tax code to legally avoid taxes and increase your savings. Not everyone has the time, energy, or desire to master the IRS tax code. But if you devote enough time to understanding the basics you will be on the fast track to financial freedom.

6. TEAMING UP TO PREVENT ELDER ABUSE: The Social Security Administration reports that elder abuse is an epidemic. Unfortunately, statistics show that the number of older Americans physically, mentally and financially exploited is rising. According to a study released by the American Journal of Public Health in 2010, approximately five million elderly Americans are victims of abuse. This exceeds the number of domestic violence and child abuse victims combined. Social Security beneficiaries are included in the millions

who suffer sometimes physical, emotional, and financial abuse, as well as neglect of basic care and medical needs. Statistics also indicate that most reported cases involve family members or people closely related to the victims. Many elder abuse victims suffer from decreased cognitive capacity, such as dementia, and are not able to protect themselves. Adult protective services operate under state law to investigate reports of elder abuse and to work with the victims to protect them and stop the maltreatment. It is important that adult protective services agencies in every community have a close working relationship with Social Security to:

- Remove abusive representative payees;
- Prevent unsuitable representative payees from being put in place or being re-instated, and;
- Appoint appropriate representative payees who will protect the victim's benefits.

Social Security is with you through life's journey. SSA takes this commitment seriously. Under Acting Commissioner Carolyn Colvin and Chief of Staff Stacy Rodgers, Social Security has made great strides in a short time to protect beneficiaries from financial exploitation and to coordinate with adult protective services agencies on behalf of our elderly clients.

7. FPPTA 32ND ANNUAL CONFERENCE: The Florida Public Pension Trustees Association's 32nd Annual Conference will take place on June 26 through June 29, 2016 at the Hyatt Regency

Orlando on International Drive, Orlando. A link on FPPTA's web site, www.fppta.org, will take you to the Hyatt Regency Orlando website to make your room reservations. You may access information and updates about the Conference at FPPTA's website. All police officer, firefighter and general employee plan participants, board of trustee members, plan sponsors and anyone interested in the administration and operation of the Chapters 112, 175 and 185 pension plans should take advantage of this unique, insightful and informative program.

8. GOLDEN OLDIE HITS RENAMED: Some of the pop stars of yesteryear are revising their hits with new lyrics to accommodate aging Baby Boomers. They include: The Commodores -- Once, Twice, Three Times To The Bathroom.

9. AGING GRACEFULLY: I decided to change calling the bathroom the John and renamed it the Jim. I feel so much better saying I went to the Jim this morning.

10. TODAY IN HISTORY: In 1955, Pope Pius XII ex-communicated Argentine President Juan Peron.

11. 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.

12. 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>.

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