



CYPEN & CYPEN
NEWSLETTER
for
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Never Forget September 11, 2001

and

Always Remember May 2, 2011

1. AMERICANS INCREASINGLY CONCERNED ABOUT OUTLIVING

SAVINGS: Plansponsor.com found true what we have been saying all along (See Item 20 below). As life expectancies continue to climb, Americans are increasingly less confident that their savings will last through retirement. According to the latest findings from Northwestern Mutual's 2016 Planning & Progress Study, two-thirds of Americans believe there is some chance that they will outlive their savings, with one

in three (34%) saying the likelihood is 51% or better. Fourteen percent think that outliving their savings is a definite (100% likelihood). However, the study found Americans are not proactively addressing the financial implications of living longer. Only a fraction (21%) say they have increased their savings while more than four in 10 (44%) report having taken no steps at all. The lack of preparation is particularly concerning given decreasing confidence about the future availability of Social Security. Only one-quarter of Americans (24%) say it is extremely likely that Social Security will be there when they retire. Nearly three in 10 (28%) listed Social Security uncertainty among the greatest obstacles to achieving financial security in retirement. Just one-third of non-retired Americans (35%) expect that Social Security will be their sole or primary source of retirement income compared to nearly half of current retirees (49%). For the second year in a row, health care costs (45%) emerge as a top-cited obstacle to financial security in retirement along with lack of savings (44%) -- substantially ahead of lack of planning (30%), events in Washington, D.C. (23%) and volatile markets (22%). Interestingly, though people recognize the impact of health care costs and insufficient savings on retirement security, they are not necessarily seeing the role of financial planning as the connection between the two. A solid financial strategy can ease both concerns. The study also finds mounting debt is a serious source of financial pressure for Americans. When asked what one change would make the most significant impact on their financial situation, eliminating all debt (27%) narrowly outpaces earning significantly more income (26%). While mortgages emerged as the leading source of debt (29%), the impact of credit cards came through

strongly (23%), exceeding student loan debt, car loans, and home equity loans/lines of credit combined.

2. PHILADELPHIA'S LOCAL RETIREMENT INCOME CRISIS: A report just released found that only 44% of elderly households in Philadelphia receive income outside of Social Security, which may drop them well below a subsistence poverty line of less than \$28,750 of annual income. According to phillytrib.com, that situation may lead to financial insecurity in old age, which may present a crisis for local human services, said the city's Controller, who released the study. Insufficient retirement assets of Philadelphians poses a risk to the fiscal and economic health of the city. Each senior household in Philadelphia needs \$28,750 a year to meet its basic needs without relying on public assistance. More than half of Philadelphia's senior households are forced to make difficult choices between their basic needs, such as food, medicine, heating or cooling. A senior in Philadelphia currently needs \$423 per year, on average, to cover out-of-pocket medical expenses. Millennials will face about four times higher expenses for health care in their senior years than current retirees. All told, one third of Philadelphia's seniors have incomes below 150% of the federal poverty level and 21% are in the Supplemental Nutritional Assistance Program (SNAP). The report also noted that 54% of city residents do not have access to a retirement plan at work. The city could help by administering an Open Multiple Employer Plan -- Open MEP -- which is a tax-advantaged, defined benefit or defined contribution retirement plan that eligible employers without retirement plans would voluntarily join. That plan has been put forth by the city.

3. TEAMSTERS' PENSION FUND OFFERS NO NEW RESCUE PLAN:

Trustees of the Teamsters' Central States Pension Fund will not submit another benefits cutting plan to the U.S. Treasury, according to the (Minneapolis) *Star Tribune*. The head of the struggling \$16.1 billion retirement fund said trustees met with fund actuaries and legal advisers, and concluded there is no Plan B. On May 6, 2016, the Treasury Department rejected the fund's controversial plan to cut the pension checks for more than 200,000 workers and retirees, most of them in the trucking industry. A second application would take too long and would not meet the final regulations the Treasury issued last month for complying with the 2014 Multiemployer Pension Reform Act. ([See C & C Newsletter for May 12, 2016, Item 4.](#)) The multi-employer pension reform law was Congress' answer to the Central States fund's dire financial situation. Two years later, the fund is back to where it started. Central States said it has no alternative but to appeal to Congress again, although it acknowledged little will happen until after the presidential election. Central States fund holds retirement money for 407,000 people around the country, most of them trucking industry workers and retirees. It is the largest of the severely underfunded multi-employer defined benefit pension plans around the country.

4. ECONOMIC VOLATILITY: HIDDEN SOCIETAL COST OF PREVAILING APPROACHES TO PENSION REFORMS: The National Conference on Public Employee Retirement Systems has produced a substantial piece on Economic Volatility, Hidden Societal Cost of

Prevailing Approaches to Pension Reforms. Pension funds are the great stabilizers of our economy. When individual investors run for the door during market downturns, pension funds are there to stay. They are long-term investors, and remain in the market for the long haul. They provide financial and economic stability that is needed for economic prosperity. Pension funds are also great stabilizers of local economies. Pensioners keep receiving their pension check in good as well as bad economic times. While incomes from jobs and investments decline during bad economic times, pension checks provide an economic cushion and keep local economies afloat. Unfortunately, we have been steadily dismantling pensions and hence undermining this economic cushion, increasing economic volatility as a result. Prevailing pension reforms increase economic volatility in another way. They contribute to the formation and bursting of asset bubbles. Nobel Laureate Robert Shiller, notes that one of the 12 causes of the asset price bubbles is conversion of defined benefit plans into defined contribution plans. A “bubble” refers to irrational rise in asset prices without growth in underlying economic indicators. Conversion of DB plans into DC plans forced millions of Americans who had little or no investment experience or knowledge of the stock market or electronically traded funds to make investment decisions that led to irrational and unsustainable asset prices, or a bubble. When the bubble eventually pops, it creates economic volatility. In the end, everyone suffers. Conversion of DB into DC plans also affects people’s lives negatively in another way. It exposes people to the economics of manipulation and deception. When there is a free market, there is not only freedom to choose, but also

freedom to be fooled and caught up into buying things and financial products that may not be need or understood. Conversion to DC plans has created an artificial retirement income security crisis. In a separate analysis of data from the US Department of Labor, the authors examined per-participant savings in DB and DC plans from 1975 to 2012. They found that during this period, the combined DB and DC savings were about \$7 trillion. If no shift to DC plans had taken place, the retirement savings would have been \$14 trillion. The shift to DC plans and the dismantling of public pensions are policy choices that have serious societal consequences. These changes not only harm the people who have pensions, but they also affect everyone else. In an earlier study, the authors examined the relationship between these prevailing so-called pension reforms and income inequality. They found that pension reforms of the past 30 years have exacerbated income inequality. They also found that rising income inequality has dragged down the economies of US states they studied. The purpose of this study is to examine whether prevailing pension reforms have increased economic volatility. More specifically, the authors will examine the relationship between these so-called reforms and economic, financial, and revenue volatility at the national level. The authors will also examine the relationship between the prevailing pension reforms and economic and revenue volatility at the state and local level. There is a dearth of literature on pension reforms and economic volatility. With respect to the shift from DB to DC plans and economic volatility, another study makes an important contribution to the literature. To read the entire informative piece visit:

<http://www.ncpers.org/files/Economic%20Volatility%20May%202016.pdf>.

5. BOGLE SAYS INVESTORS CAN SAVE 66% ON RETIREMENT BY

FOLLOWING THIS ADVICE: The "tyranny of compounding costs" is hardly a headline anyone wants to read. Yet people truly need to understand what Vanguard Founder John Bogle means when he says that cost is the major driver in how long-term retirement investing turns out. Most people assume that picking the investments matters. And, in a sense it does, if you put all of your money into ultra-low-interest bank CDs, it will be safe -- but it will not grow much. Play around with micro-cap stocks, and you might as well be tossing your cash out a car window. That is why people mostly buy shares in large well understood companies. They try to choose some stocks over others, but really it is just owning stocks that matters. Stocks remain the most powerful retirement investment you can make. That is true because when you own a broad selection of stocks, buy more periodically and reinvest the dividends, you increase your ownership in the for-profit enterprise known as the global economy. People also assume, rightly, that time matters. If you figure that stocks will increase in value by some amount year after year, the longer you own them the more likely it is that you will partake in the kind of growth that turns small, periodic investments into enough money to retire. What remains is the cost of investment. As it turns out, cost is the principal reason some people do better (or worse) at investing than others. Pay too much for your investments and you will lose a lot of money. How much worse? How about two-thirds of your gains. It sounds crazy until you recognize what happens when supposedly small fees are

allowed to run on for decades. "Let us assume the stock market gives a 7% return over 50 years. If you get to 7%, each \$1 goes up to \$30. If you get to 5% (that would be 7% less the industry's typical 2% all-in costs), you get \$10." "So \$10 versus \$30. You put up 100% of the capital, you took 100% of the risk, and you got 33% of the return! As I say to people, if that strikes you as a good deal, by all means do it!" Deciding which stocks are better, the basic due diligence, is meaningless at the level of the entire stock market. Even people whose full-time job is to make these determinations get it wrong all the time. Yet broadly owning each investment type -- stocks, bonds, and so on -- does provide a generally predictable long-term return. Owning a mix of them in a portfolio and doing it cheaply via index funds gives you a good return plus low investment costs. This is how you avoid Bogle's tyranny of compounding costs, and how you keep your investment results in line with the risk you assume in investing at all. Why sign on for a two-thirds guaranteed loss and only a one-third of the reward? It is your retirement at risk, after all.

6. NEW LAW WOULD REDUCE PENSION EXECUTIVES' PAY IF

PLAN BENEFITS CUT: A group of Democratic senators wants to see pension executives suffer a pay cut if the plans they monitor cut benefits, according to *The Hill*. A new bill takes square aim at executives of pension plans who are considering cutting benefits, as lawmakers want to ensure that top officials feel some of the resulting pain as well. The bill, sponsored by five Democratic senators, is directly spurred by trouble at that fund, which is seeking cuts not only for future retirees but existing

ones. Some people under the plan are facing benefit cuts of as much as 60%. The cuts would impact hundreds of thousands of union workers, but the senators contend that top executives should have some skin in the game too. Senators noted that one fund's top executive made nearly \$700,000 in 2014, and that the fund has also hired lobbyists to help make its case in Washington.

7. ARE COUNTIES MAJOR PLAYERS IN PUBLIC PENSION

PLANS?: Most analyses of public pensions focus on states and cities, says Center for State & Local Government Excellence. Less has been written about the role of counties, which are significant public service providers in some states. A new brief from CSLGE sheds light on pension activity at the county level, by documenting the costs, funded status, and unfunded liabilities, to determine whether counties should regularly be included in analyses of state and local pensions. The discussion proceeds as follows. The first section describes the nature and role of counties in the state government structure. The second section takes a closer look at states where counties administer their own pension plans as opposed to participating in state-administered plans, with a special emphasis on Maryland, Virginia and California. The third section focuses on pension expense as a percentage of revenues for counties, and compares this ratio to that of states and cities. The fourth section reports the funded status of pension plans administered by counties and reports counties' total unfunded liabilities stemming from both their own plans and the state plans in which they participate. The final section concludes that the importance of counties varies

significantly across states, but, in the aggregate, counties account for only 12% of total unfunded pension liabilities. That said, in states such as Maryland, Virginia and California, discussing the pension landscape without considering counties would provide a very misleading picture. To read the entire informative piece, visit: <http://slge.org/wp-content/uploads/2016/05/May-2016-Are-Counties-Major-Players-in-Public-Pension-Plans.pdf>.

8. AN UPDATE ON GOVERNMENT IN THE SUNSHINE AND THE PUBLIC RECORDS ACT: Wendy L. Fisher, Esq., Junior Staff Attorney, City of Palm Bay writing in *The Agenda*, City, County and Local Government Law Section, The Florida Bar, says working in Government Law, attorneys are always trying to make sure the Sunshine Laws and the Public Records Act are complied with. And because of that, government attorneys are always cognizant of the next public records request, and work hard to ensure that each email, document, study or drawing is preserved if required by law. Not to mention ensuring everyone is trained on what they can delete to make space in their inbox, and whether that funny cat video will be made public. A government attorney's job entails keeping up on the latest cases and opinions that are constantly evolving to ensure the transparency of the government for the public. This past year has seen many new cases and opinions that have continued to develop the Sunshine Law and the Public Records Act. There is a neat little summary of the period of January 1, 2015 through March 28, 2016 published at: <http://locgov.org/pdf/CCLG-Spring%202016.pdf>.

9. FREE WEBCAST ABOUT ACCUMULATED SICK AND VACATION PAY DEFERRED TO 403(B) OR 457(B) PLANS:

Internal Revenue Service, Federal, State & Local Governments, is presenting a free webcast about when is accumulated sick and vacation leave pay subject to Federal Employment Taxes. It will be held on June 2, 2016, 2:00 p.m. (Eastern). To register for this event:

<https://www.webcaster4.com/Webcast/Page/925/15027>.

Learn about:

- When is accumulated sick and vacation leave pay subject to Federal Employment Taxes
- When can taxes be deferred and for how long?
- What is an elective contribution?

10. CAR INSURANCE RATES SKYROCKET, AS FLORIDIANS DRIVE MORE, CRASH MORE:

Floridians are driving more and getting into a lot more accidents, and they are paying the price with rising car insurance rates that are already among the nation's highest. According to the *Miami Herald*, premiums have risen 14% statewide since January 1, 2015 -- nearly the exact opposite of the ubiquitous television commercial offering savings of 15% or more on car insurance. Since 1972, Florida has required all drivers to carry \$10,000 of personal injury protection, or PIP, to cover minor accident claims, regardless of fault. Known as "no-fault insurance," it was an attempt to clear the courts of accident related lawsuits, and get payments to victims faster. Four years ago, the program was retooled to attack rampant PIP fraud, especially in Tampa

and Miami (nooo), which was blamed for increasing premiums. But after rates fell in the first two years after the bill's passage, PIP premiums have risen by nearly 15%. One major carrier, Allstate Fire & Casualty, has raised PIP rates 40%. PIP accounts for about one-fourth of a total premium's cost. As Florida's population gets bigger every year, more people are driving, and state data show that they are driving more than ever. They drove a record 551 million miles each day in 2014, the most recent data available. Across the state, car accidents rose last year by nearly 9% from the year before. Crashes increased by 14.6% in Broward, 12.7% in Hillsborough and 9.5% in Pinellas. Miami-Dade, cited in numerous surveys as the home of some of the worst drivers anywhere, reported a modest 5.4% spike in accidents.

11. TOP BABY NAMES OF 2015: Just delivered! The Social Security Administration is happy to announce the arrival of the top baby names of 2015! For almost 20 years, SSA has been the authority on the most popular baby names based on requests for Social Security numbers for newborns. SSA has revealed the top names for boys and girls each year, and its records date back to the 1880s. The names show SSA how America's trends and culture has diversified, and how choices have broadened. What makes a baby name popular? Trends in new baby names often follow popular culture, influenced by favorite characters in books or movies, as well as religious meanings. The top names of 2015, Noah and Emma, kept their top spots from 2014! New to the top ten for 2015, and for the first time ever, are Benjamin and Harper. Here is the top ten baby names for girls and boys in 2015:

1. Emma Noah
2. Olivia Liam
3. Sophia Mason
4. Ava Jacob
5. Isabella William
6. Mia Ethan
7. Abigail James
8. Emily Alexander
9. Charlotte Michael
10. Harper Benjamin

No matter where the inspiration for your child's name came from, you can rest easy knowing that SSA is here for your child from day one. When you have a baby, SSA will issue him or her a unique Social Security number soon after birth. They will need their number throughout many important stages in their life, beginning with when you claim them on your tax return. It will also be useful if you need to apply for benefits for your child. SSA offers a wide range of resources for families with children. If your child has a severe disability, there are programs and benefits to help supplement the added costs of caring for them. The birth of a child is a special time for families. SSA is here with you and your child through life's journey, starting from when you choose his or her special name.

12. WHICH COMPANY HAS LARGEST U.S. PATENT PORTFOLIO?:

Samsung Electronics owns by far the biggest portfolio of active U.S. patents, according to data compiled by MDB Capital and published in a recent issue of *IAM* Magazine. With 63,434 U.S. patents, the Korean company had well over 20,000 more than second place Canon, with a portfolio numbering 40,011 patents. The top American company is IBM, with 39,436 active patents. Although Big Blue is the perennial number one receiver of U.S. patent grants, its aggressive approach to abandonment means that it has never been in number one spot, which have run since 2014. For the first time, Microsoft has made the top five, coming in at number four with a portfolio of 31,692. The U.S. Patent 100 ranking identifies the entities with 100 biggest U.S. patent portfolios. To get on the list, the threshold was 4,532, a 12.6% rise on the total for last year (4,024). Here is the top ten of the U.S. Patent 100:

- Samsung Electronics -- 63,434 grants
- Canon -- 40,011 grants
- IBM -- 39,436 grants
- Microsoft -- 31,692 grants
- Sony -- 29,988 grants
- Panasonic -- 29,478 grants
- Intel -- 25,588 grants
- Toshiba -- 25,518 grants
- General Electric -- 24,502 grants
- Hitachi -- 21,979 grants

13. TOP TEN BUSIEST AIRPORTS IN THE WORLD: When it comes to air travel, frequent flyers know which airports are both the best and worst

to travel through. Of course, all opinions are completely subjective -- some people thrive on the hectic and congested nature of the busiest airports, while others prefer quieter, smaller airports. In the latter case, the below list of the world's busiest airports for 2015 may play a part in which hub you choose to fly in or out of this year. According to preliminary traffic data released by Airports Council International, Atlanta's Hartsfield Jackson International retains its title as the world's busiest passenger airport -- a spot it has held for 18 years. More than 100 million passengers passed through ATL in 2015, a 5.5% increase over 2014. ATL is believed to have held this position so long because of its ideal location as a connecting hub in the United States -- it is within a two-hour flight of 80% of the US population. Here is the complete list for the busiest passenger airports in the world for 2015:

- Atlanta Hartsfield Jackson International (ATL) -- 101,491,106 (5.5% increase from 2014; previously No. 1)
- Beijing Capital International Airport (PEK) -- 89,938,628 (4.4%; previously No. 2)
- Dubai International Airport (DXB) — 78,010,265 (10.7%; previously No. 6)
- Chicago O'Hare International Airport (ORD) — 76,949,504 (9.8%; previously No. 7)
- Tokyo Haneda Airport (HND) — 75,316,718 (3.4%; previously No. 4)
- London Heathrow Airport (LHR) — 74,989,795 (2.2%; previously No. 3)

- Los Angeles International Airport (LAX) — 74,937,004 (6.1%; previously No. 5)
- Hong Kong International Airport (HKG) — 68,283,407 (8.2%; previously No. 10)
- Paris Charles de Gaulle Airport (CDG) — 65,766,986 (3.1%; previously No. 8)
- Dallas Fort-Worth International (DFW) — 64,072,468 (0.9%; previously No. 9)

14. 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.

15. 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: Roberta Flack -- The First Time Ever I Forgot Your Face.

16. AGING GRACEFULLY: You know that tingly little feeling you get when you really like someone? That's common sense leaving your body.

17. TODAY IN HISTORY: In 1972, U.S. performs nuclear test at Nevada Test Site.

18. 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.

19. 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>.

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