



CYPEN & CYPEN
NEWSLETTER
for
SEPTEMBER 1, 2016

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Never Forget September 11, 2001

and

Always Remember May 2, 2011

**1. FEDERAL APPELLATE COURT REFUSES TO ENFORCE
CONSENT DECREE INVOLVING JACKSONVILLE, FLORIDA
FIREFIGHTERS:** Thirty-four years ago, in 1982, in a lawsuit dating
back to 1971, the U.S. district court entered a consent decree
requiring the City of Jacksonville to hire in its fire department “an
equal number of blacks and whites until the ratio of black fire fighters
to white fire fighters reflects the ratio of black citizens to white citizens

in the City of Jacksonville.” The City complied for ten years, until it unilaterally and without the district court approval stopped following the decree in 1992. In the years following, employees moved away or died, documents were lost or destroyed, and public debate over the once-again falling numbers of African-American firefighters sparked the City in 1999 to institute new hiring protocols -- but the plaintiffs did not try to enforce the decree. It was not until 2007, some fifteen years after the City had stopped complying with the decree, that the plaintiffs brought a motion to show cause as to why the City should not be held in contempt of the 1982 consent decree. The district court denied plaintiffs' motion on grounds of laches, and dissolved the decree. Because plaintiffs' fifteen-year delay prejudiced the City's ability to defend itself, and because a new lawsuit had taken up the cause of fighting racial discrimination in the City's firefighting department, neither the district court's application of laches nor its dissolution of the 1982 consent decree was an abuse of discretion. *Olivette v. Braddy*, 26 Fla. L. Weekly Fed. C656 (Fla. 6th Cir., August 23, 2016).

2. STATE PENSION FUNDING GAP: 2014: A blog on *pensionpulse*, says that after years of not setting aside enough money, state pension funds are looking at a \$1 trillion shortfall in what they owe workers in benefits, according to a new analysis from The Pew Charitable Trusts. State retirement systems caught a break with strong investment returns in fiscal 2014, but the gap is expected to top \$1 trillion in fiscal 2015, the last fiscal year with full results. The lesson here is that state

and local policymakers cannot count solely on investment returns to close the pension funding gap over the long term. While many states have cut benefits for new workers and frozen plans for current staff, they cannot cut benefits that have already been earned by public employees, meaning they have to find money to make up the shortfall by cutting other programs, raising taxes or both. States were to make up \$35 billion of their unfunded liabilities in fiscal 2014, leaving a shortfall of \$934 billion. The reason is because of unusually strong returns averaging 17% in 2014, according to the study. But average returns fell sharply in 2015, to just 3%. The numbers for fiscal 2016, which ended on June 30 for most states, will not be reported for some time. But investment gains are expected to work against them. Pew reports that public pension funds had negative average returns during the first three quarters of the latest fiscal year. Those lower returns mean states with badly underfunded retirement plans will have to set aside more tax dollars to fill the shortfall. States with the biggest funding gaps include Illinois and Kentucky, the two worst-funded systems, with just 41% of what is needed to pay the benefits promised to public employees. New Jersey has set aside just 42%. Only three states have set aside enough money to fully pay retirement benefits owed to current and futures retirees: South Dakota (107% of liabilities), Oregon (104%) and Wisconsin (103%). State pension fund debts have been growing since 2000, after falling in the preceding decades. The last time they were fully funded was the late 1990s, when a stock market boom generated returns that left them with a surplus of funds to pay benefits.

3. THE TEACHER PAY GAP IS WIDER THAN EVER: According to a new white paper by the *Economic Policy Institute*, the teacher pay penalty is bigger than ever. In 2015, public school teachers' weekly wages were 17.0% lower than those of comparable workers -- compared with just 1.8% lower in 1994. This erosion of relative teacher wages has fallen more heavily on experienced teachers than on entry-level teachers. Importantly, collective bargaining can help to abate this teacher wage penalty. Some of the increase in the teacher wage penalty may be attributed to a trade-off between wages and benefits. Even so, teachers' compensation (wages plus benefits) was 11.1% lower than that of comparable workers in 2015. Why this matters: an effective teacher is the most important school-based determinant of education outcomes. It is therefore crucial that school districts recruit and retain high-quality teachers. This is particularly difficult at a time when the supply of teachers is constrained by high turnover rates, annual retirements of longtime teachers, and a decline in students opting for a teaching career -- and when demand for teachers is rising due to rigorous national student performance standards and many locales' mandates to shrink class sizes. In light of these challenges, providing adequate wages and benefits is a crucial tool for attracting and keeping the teachers America's children need. Here are some key findings:

- Average weekly wages (inflation adjusted) of public-sector teachers decreased \$30 per week from 1996 to 2015, from

\$1,122 to \$1,092 (in 2015 dollars). In contrast, weekly wages of all college graduates rose from \$1,292 to \$1,416 over this period.

- For all public-sector teachers, the relative wage gap (regression adjusted for education, experience, and other factors) has grown substantially since the mid-1990s: It was -1.8% in 1994 and grew to a record -17.0% in 2015.
- The relative wage gap for female teachers went from a premium in 1960 to a large and growing wage penalty in the 2000s. Female teachers earned 14.7% more in weekly wages than comparable female workers in 1960. In 2015, we estimate a -13.9% wage gap for female teachers.
- The wage penalty for male teachers is much larger. The male teacher wage gap was -22.1% in 1979 and improved to -15.0% in the mid-1990s, but worsened in the late 1990s into the early 2000s. It stood at -24.5% in 2015.
- While relative teacher wage gaps have widened, some of the difference may be attributed to a tradeoff between pay and benefits. Non-wage benefits as a share of total compensation in 2015 were more important for teachers (26.6%) than for other

professionals (21.6%). The total teacher compensation penalty was a record-high 11.1% in 2015 (composed of a 17.0% wage penalty plus a 5.9% benefit advantage). The bottom line is that the teacher compensation penalty grew by 11% from 1994 to 2015.

- The erosion of relative teacher wages has fallen more heavily on experienced teachers than on entry-level teachers. The relative wage of the most experienced teachers has steadily deteriorated -- from a 1.9% advantage in 1996 to a 17.8% penalty in 2015.
- Collective bargaining helps to abate the teacher wage gap. In 2015, teachers not represented by a union had a -25.5% wage gap -- and the gap was 6% smaller for unionized teachers.

The opportunity cost of becoming a teacher and remaining in the profession becomes more and more important as relative teacher pay falls further behind that of other professions. The large negative wage gap for male teachers likely is a key reason why the gender mix of teachers has not changed much over time. That women, once a somewhat captive labor pool for the teaching profession, have many more opportunities outside the profession today than in the past means that growing wage and compensation differentials will make it all the more difficult to recruit and retain high-quality teachers.

Moreover, the ever-increasing costs of higher education and burdensome student loans are also a barrier to the teaching profession in light of a widening pay gap. The recent trends documented represent only a small part of a much larger long-run decline in the relative pay of teachers. U.S. decennial Census data show that the wage gap between female public school teachers and comparably educated women -- for whom the labor market dramatically changed over 1960-2000 -- grew by nearly 28% points, from a relative wage advantage of 14.7% in 1960 to a disadvantage of 13.2% in 2000. Among all (male and female) public school teachers, the relative wage disadvantage grew almost 20% points over 1960-2000. Research shows that the teacher wage penalty grew an additional 7.0 and 9.6 percentage points, respectively, for all and female teachers since 2000. Improvements in the non-wage benefits of primary and secondary school teachers partially offset the worsening wage disparities: The weekly total compensation (wages plus benefits) disadvantage facing teachers in 2015 was about 11%, or roughly 6 percentage points less than the 17% weekly wage disadvantage estimated for that year. It is good news that teachers are able to bargain a total compensation package -- as it seems they may have forgone wage increases for benefits recently. But, as documented, teacher wages have been stagnant since the mid-1990s. This makes the wage gap, on its own, critically important, as it is only earnings that help to make ends meet regarding pecuniary expenses such as rents, food, and paying off student loans. If the policy goal is to improve the quality of the entire teaching workforce,

then raising the level of teacher compensation, including wages, is critical to recruiting and retaining higher-quality teachers. Policies that solely focus on changing the composition of current compensation (e.g., merit or pay-for-performance schemes) without actually increasing compensation levels are unlikely to be effective. Simply put, improving overall teacher quality requires correcting the teacher compensation disadvantage.

4. PENSION FUNDS ARE BETTING STOCKS WILL NOT DROP:

Several pension funds are betting that Wall Street's stock market bull has more years to run. Pension managers in Hawaii and South Carolina have been putting money into a derivative investment strategy that will pay off if stocks either rise or stay flat. If stocks plunge, however, the pension funds could lose big. The strategy appears to have been pushed by Pension Consulting Alliance, a firm that advises the giant retirement funds on how they should invest. According to the *Wall Street Journal*, PCA pitched the strategy to Hawaii's pension fund last year with a prepared presentation. It is not clear how many other pension funds got the same pitch. Institutional investors and some individuals typically protect themselves from losses by purchasing so-called put options against stocks they hold in their portfolio. Put options make money when stocks drop. If the stock rises instead, the investor offsets any losses it has on the put option with gains earned from the stock. The pension funds in Hawaii and South Carolina are taking the other side of that trade, selling puts to those investors looking for protection. Unlike the other investors,

though, it appears the pension funds are writing puts nakedly, meaning the derivatives they are selling are not specifically tied to other investments in their portfolio. That will not be a problem if the stock market stays where it is or goes up. If that is the case, the pension funds will be able to pocket the fees they are collecting for selling the puts to other investors. But if the stocks connected to the puts were to plunge, it could leave the pension funds with big losses. Generally, it appears investors believe stocks are headed up. But a number of prominent people have recently warned that they see a potential huge crash coming for the stock market. Back in May, Donald Trump said he thought all the money piling into tech stocks reflected a bubble that could burst. Trump supporter, Carl Icahn, too, has said that he believes a stock market crash is coming. Trump could be a problem as well. Earlier this month, Shark Tank star and investor Mark Cuban predicted that the stock market would crash if Trump were elected president. For now, however, the pension funds seem to be doing okay, even if put writing strategies are trailing some broader market indices. The pension funds appear to be only writing the puts against the S&P 500, not individual stocks. Betting against a diversified portfolio makes the strategy less risky. What's more, pension funds are typically large, and have cash and other liquid assets that could be used to absorb losses. And for investors in general the pension funds move is a positive sign. It means that a number of large investors are still betting that the stock market will continue to rise. That is good news for all of our 401(k)s.

5. LIVING LONGER, WORKING LONGER: Rand Labor and Population reports that life expectancy has increased substantially in the United States over the past 60 years. Back in 1950 a 65 year-old man could expect to live another 12.8 years on average; by 2010 this number had increased to 17.7 years. For women, the increase was even larger, from 15.0 to 20.3 years. While this is good news in many ways, it also brings worries: when people live longer, the costs for public programs like Social Security and Medicare increase and threaten the sustainability of these programs. Households wonder how to finance more retirement years. Some of the consequences of the aging of the population could be ameliorated by people working longer: the financial pressures on public programs would be lessened, fears of labor shortages would be reduced, and households would be better prepared economically for retirement. Fortunately, for the past 25 years, the labor force participation rate of the older population has been increasing, particularly among women. For example, the percentage of women age 60 to 64 in the labor force (the labor force participation rate) increased from 35.5% in 1990 to 49.8% in 2015; among women age 65 to 69 the participation rate increased from 17.0% to 27.9%. The participation rate of men also increased, although more slowly. Even at ages 70 to 74 labor force participation among men increased: from 17.6% in 2002 to 22.8% in 2015. Life expectancy has increased making it necessary to have greater wealth to finance an increasing number of years in retirement. There are a number of factors contributing to the increases in labor force participation at older ages. The rules of Social Security were altered to

reduce Social Security benefits and increase the age at which a worker receives full Social Security benefits. There was a shift from a type of pension that encouraged early retirement to a type that neither encourages nor discourages early retirement. Possibly improving health permitted workers to remain longer on the job. Life expectancy has increased making it necessary to have greater wealth to finance an increasing number of years in retirement. On average, jobs have become less physically demanding, permitting older workers to remain working at older ages. An important question is: will this increase in labor force participation continue, at least partially offsetting consequences of population aging? Since 1992, every two years the Health and Retirement Study has asked workers in their 50's about future work intentions in the form of the subjective probability of working full-time after age 62 in the following way: thinking about work in general and not just your present job, what do you think the chances are that you will be working full-time after you reach age 62? Workers were also asked about the subjective probability of working after reaching age 65. The HRS follows individuals over time re-interviewing them every two years so that we are able to observe whether individuals are actually still working upon reaching age 62. A comparison shows that the subjective probability is highly predictive of actual labor force participation as observed over the same persons: for example, in 1992 workers age 51 to 56 reported average probability of working full time at age 62 of 48.4%. Actual labor force participation when observed at age 62 (61 years later) was 47.8%. Further, the trend over time in subjective probability

of working predicted at least qualitatively the increase in actual labor force participation. The figure shows average subjective probability of working full time at age 65 for working men and women initially aged 55 to 56, about 10 years before they reached age 65. Thus in 1992 the average subjective probability of working full time at age 65 among men was about 33%; by 2012 it was 43%. Among women the average probabilities were 21% and 40%. The increase in average probability of working full time at age 65 between 1992 and 2004 predicted qualitatively the actual increase in the labor force participation rate of both men and women age 65 to 69, and that the participation rate of women would increase more than the participation rate of men. As for the future, both curves continue to slope upward from 2004 to 2012 and therefore predict increases in labor force participation rates of both men and women through 2022. Furthermore, participation by women will continue to increase more rapidly than participation by men. If these increases are realized they will reduce some of the problems associated with increasing life expectancy and the associated population aging.

6. FAST FACTS & FIGURES ABOUT SOCIAL SECURITY, 2016:

Fast Facts & Figures answers the most frequently asked questions about the programs administered by the Social Security Administration. It highlights basic program data for the Social Security (retirement, survivors, and disability) and Supplemental Security Income programs. Most of the data comes from the Annual Statistical Supplement to the Social Security Bulletin, which contains more than

240 detailed tables. The information on the income of the aged is from the data series Income of the Population 55 or Older. Data on trust fund operations are from the 2016 Trustees Report.

- **Income Levels, 1962 and 2014.** Median annual income for married couples and nonmarried persons aged 65 or older increased markedly from 1962 (the earliest year for which data are available) to 2014. Even after adjusting for inflation, median income rose 143% for married couples and 122% for nonmarried persons. A married couple is aged 65 or older if the husband is aged 65 or older or if the husband is aged 54 or younger and the wife is 65 or older.
- **Sources of Income, 1962 and 2014.** Social Security benefits -- the most common source of income for married couples and nonmarried persons aged 65 or older in 1962 -- are now almost universal. The proportion of the aged population with asset income -- the next most common source -- was greater in 2014 than it was in 1962. Over the 52-year period, receipt of private pensions increased by four times, and receipt of government pensions nearly doubled. The proportion of couples and nonmarried persons aged 65 or older who had earnings was smaller in 2014 than it was in 1962.
- **Shares of Aggregate Income, by Source, 1962 and 2014.** In

1962, Social Security, earnings, income from assets, and government employee and private pensions made up only 85% of the aggregate total income of couples and nonmarried persons aged 65 or older, compared with 96% in 2014. The shares from Social Security, earnings, government employee pensions, and private pensions increased after 1962, while the share from asset income declined.

- **Relative Importance of Social Security, 2014.** In 2014, 85% of married couples and 84% of nonmarried persons aged 65 or older received Social Security benefits. Social Security was the major source of income (providing at least 50% of total income) for 48% of aged beneficiary couples and 71% of aged nonmarried beneficiaries. It was 90% or more of income for 21% of aged beneficiary couples and 43% of aged nonmarried beneficiaries. Total income excludes withdrawals from savings and nonannuitized IRAs or 401(k) plans; it also excludes in-kind support, such as Supplemental Nutrition Assistance Program (or SNAP, formerly known as food stamps) benefits and housing and energy assistance.
- **Poverty Status Based on Family Income, 2014.** The aged poor are those with income below the poverty line. The near poor have income greater than or equal to the poverty line and less than 125% of the poverty line. Nonmarried women and

minorities had the highest poverty rates in 2014, ranging from 18.0% to 19.2%. Married persons had the lowest poverty rates, with 5.0% poor and 2.5% near poor. Overall, 10.0% were poor and 5.2% were near poor.

- **Earnings in Covered Employment, 1937–2015.** People contribute to Social Security through payroll taxes or self-employment taxes, as required by the Federal Insurance Contributions Act (FICA) and the Self-Employment Contributions Act (SECA). The maximum taxable amount is updated annually on the basis of increases in the average wage. Of the 169 million workers with earnings in Social Security-covered employment in 2015, about 6% had earnings that equaled or exceeded the maximum amount subject to taxes, compared with 3% when the program began and a peak of 36% in 1965. About 83% of earnings in covered employment were taxable in 2015, compared with 92% in 1937.
- **Insured Status, 1970–2015.** The percentage of persons aged 20 or older who are insured for benefits has changed very little in recent years. To be fully insured, a worker must have at least one work credit (quarter of coverage) for each year elapsed after age 21 (but no earlier than 1950) and before the year in which he or she attains age 62, becomes disabled, or dies. The maximum number of work credits needed to be fully insured is

40. An individual is said to be permanently insured if he or she has earned 40 work credits. To be insured for disability, the worker must be fully insured and have at least 20 work credits during the last 40 calendar quarters. (Requirements for disability-insured status are somewhat different for persons younger than age 31.) Disability benefits are available up to FRA.

- **Insured Status, by Sex, 1970 and 2015.** Although men historically were more likely than women to be insured, the gender gap is shrinking. The proportion of men who are insured declined slightly from 1970 to 2015, with 89% fully insured and 78% insured for disability in 2015. By contrast, the proportion of women who are insured increased dramatically -- from 63% to 85% fully insured and from 41% to 73% insured for disability.
- **New Benefit Awards, 2015.** Benefits were awarded to about 5.4 million persons; of those, 52% were retired workers and 14% were disabled workers. The remaining 34% were survivors or the spouses and children of retired or disabled workers. These awards represent not only new entrants to the benefit rolls but also persons already on the rolls who become entitled to a different benefit, particularly conversions of disabled-worker benefits to retired-worker benefits at FRA.

- **New Awards to Workers, 1975–2015.** Awards to retired workers increased considerably over the past four decades, at a rate that nearly triples the rate by which awards to disabled workers increased. The annualized rate of increase over the period from 1975 to 2015 is 1.6% for retired workers and 0.6% for disabled workers. The annual number of awards to retired workers rose from 1.5 million in 1975 to 2.8 million in 2015, while for disabled workers it increased from 592,000 in 1975 to 741,000 in 2015.
- **Beneficiaries in Current-Payment Status, December 2015.** Sixty million beneficiaries were in current-payment status; that is, they were being paid a benefit. Sixty-seven percent of those beneficiaries were retired workers and 15% were disabled workers. The remaining 18% of beneficiaries were survivors or the spouses and children of retired or disabled workers.
- **Average Benefit Amounts, 2015.** Benefits payable to workers who retire at FRA and to disabled workers are equal to 100% of the PIA (subject to any applicable deductions). At FRA, widow(er)s' benefits are also payable at 100% of the insured worker's PIA. Nondisabled widow(er)s can receive reduced benefits at age 60. Disabled widow(er)s can receive reduced

benefits at age 50. Spouses, children, and parents receive a smaller proportion of the worker's PIA than do widow(er)s.

- **Beneficiaries, by Age, December 2015.** About four-fifths of all OASDI beneficiaries in current-payment status were aged 62 or older, including 22% aged 75 - 84 and 9% aged 85 or older. About 14% were persons aged 18 - 61 receiving benefits as disabled workers, survivors, or dependents. Another 5% percent were children under age 18.
- **Age of Disabled and Retired Workers, 1960–2015.** The average age of disabled-worker beneficiaries in current-payment status declined substantially between 1960, when DI benefits first became available to persons younger than age 50, and 2015. In 1960, the average age of a disabled worker was 57.2 years. The rapid drop in average age in the following years reflects a growing number of awards to workers under 50. By 1995, the average age fell to a low of 49.8, but by 2015, it rose to 53.9. By contrast, the average age of retired workers has changed little over time, rising from 72.4 in 1960 to 73.8 in 2015.
- **Beneficiaries, by Sex, December 2015.** Of all adults receiving monthly Social Security benefits, 45% were men and 55% were

women. Eighty-one percent of the men and 65% of the women received retired-worker benefits. Thirteen percent of the women received survivor benefits.

- **Average Monthly Benefit, by Sex, December 2015.** Among retired and disabled workers who collected benefits based on their own work records, men received a higher average monthly benefit than did women. For those with benefits based on another person's work record (spouses and survivors), women had higher average benefits.
- **Women Beneficiaries, 1940–2015.** The proportion of women among retired-worker beneficiaries quadrupled between 1940 and 2015. The percentage climbed from 12% in 1940 to 47% in 1980, 48% in 1990, and 50% in 2015. The proportion of women among disabled-worker beneficiaries more than doubled between 1957, when DI benefits first became payable, and 2015. The percentage rose steadily from 19% in 1957 to 35% in 1990 and 49% in 2015.
- **Women with Dual Entitlement, 1960–2015.** The proportion of women aged 62 or older who are receiving benefits as dependents (that is, on the basis of their husbands' earnings record only) declined from 57% in 1960 to 22% in 2015. At the

same time, the proportion of women with dual entitlement (that is, paid on the basis of both their own earnings records and those of their husbands) increased from 5% in 1960 to 26% in 2015.

- **Child Beneficiaries, December 2015.** More than 3.2 million children under age 18 and students aged 18 - 19 received OASDI benefits. Children of deceased workers had the highest average payments, in part because they are eligible to receive monthly benefits based on 75% of the worker's PIA, compared with 50% for children of retired or disabled workers. Overall, the average monthly benefit amount for children was \$560.
- **Number of Recipients, 1974–2015.** The Supplemental Security Income program provides income support to needy persons aged 65 or older, blind or disabled adults, and blind or disabled children. Eligibility requirements and federal payment standards are nationally uniform. SSI replaced the former federal/state adult assistance programs in the 50 states and the District of Columbia. Payments under SSI began in January 1974, with 3.2 million persons receiving federally administered payments. By December 1974, this number had risen to nearly 4 million and remained at about that level until the mid-1980s, then rose steadily, reaching nearly 6 million in 1993 and 7 million by the end of 2004. As of December 2015, the number of

recipients was about 8.3 million. Of this total, 4.9 million were between the ages of 18 and 64, almost 2.2 million were aged 65 or older, and almost 1.3 million were under age 18.

- **Payment Amounts, by Age, December 2015.** The average monthly federally administered SSI payment was \$541. Payments varied by age group, ranging from an average of \$643 for recipients aged under 18 to \$435 for those aged 65 or older. The maximum federal benefit rate in December 2015 was \$733 for an individual and \$1,100 for a couple, plus any applicable state supplementation.
- **Federally Administered Payments, December 2015.** A total of 8.3 million persons received federally administered SSI payments. The majority received federal SSI only. States have the option of supplementing the federal benefit rate and are required to do so if that rate is less than the income the recipient would have had under the former state program.
- **Basis for Eligibility and Age of Recipients, December 2015.** Fourteen percent of SSI recipients received benefits on the basis of age and the rest qualified on the basis of disability. Twenty-six percent of the recipients were aged 65 or older. In the SSI program, a disabled recipient is still classified as

“disabled” after reaching age 65. In the OASDI program, DI beneficiaries are converted to the retirement program when they attain FRA.

- **Percentage Distribution of Recipients, by Age, 1974–2015.** The proportion of SSI recipients aged 65 or older declined from 61% in January 1974 to 26% in December 2015. The overall long-term growth of the SSI program occurred because of an increase in the number of disabled recipients, most of whom are under age 65.
- **Recipients, by Sex and Age, December 2015.** Overall, 53% of the approximately 8.3 million SSI recipients were women, but that percentage varied greatly by age group. Women accounted for 67% of the 2.2 million recipients aged 65 or older, 52% of the 4.9 million recipients aged 18–64, and 33% of the 1.3 million recipients under age 18.
- **Other Income, December 2015.** Almost 56% of SSI recipients aged 65 or older received OASDI benefits, as did 29.7% of those aged 18 – 64 and 7.3% of those under age 18. Other types of unearned income, such as income from assets, were reported most frequently among those under age 18 (21.0%) and those aged 65 or older (10.9%). Earned income was most

prevalent (4.8%) among those aged 18–64.

- **Child Recipients, December 1974–2015.** As of December of the program’s first year, 1974, 70,900 blind and disabled children were receiving SSI. That number increased to about 955,000 in 1996, declined to about 847,000 in 2000, and increased to 1,267,160 in 2015. The relatively high average payment to children (compared with payments made to blind and disabled adults) is due in part to a limited amount of other countable income. The spike in average monthly benefits in 1992 is due to retroactive payments resulting from the *Sullivan v. Zebley* decision. As of December 2015, blind and disabled children were receiving SSI payments averaging \$643.
- **All Beneficiaries, December 2015.** About 65.1 million people received a payment from one or more programs administered by SSA. Most (56.8 million) received OASDI benefits only, 5.6 million received SSI only, and 2.7 million received payments from both programs.
- **Beneficiaries Aged 65 or Older, December 2015.** Benefits were paid to 44.1 million people aged 65 or older. Nearly 1.2 million received both OASDI and SSI.

- **Disabled Beneficiaries Aged 18–64, December 2015.**

Payments were made to nearly 13 million people aged 18–64 on the basis of their own disability. Sixty-two percent received disability payments from the OASDI program only, 27% received payments from the SSI program only, and 10% received payments from both programs.

- **How Social Security Is Financed.** Social Security is largely a pay- as-you-go program. Most of the payroll taxes collected from today’s workers are used to pay benefits to today’s recipients. In 2015, the Old-Age and Survivors Insurance and Disability Insurance Trust Funds collected \$920.2 billion in revenues. Of that amount, 86.4% was from payroll tax contributions and reimbursements from the General Fund of the Treasury and 3.4% was from income taxes on Social Security benefits. Interest earned on the government bonds held by the trust funds provided the remaining 10.1% of income. Assets increased in 2015 because total income exceeded expenditures for benefit payments and administrative expenses.

- **Social Security’s Demographic Challenge.** The 2016 Trustees Report projects that the number of retired workers will grow rapidly, as members of the post–World War II baby boom continue to retire in increasing numbers. The number of retired workers is projected to double in about 50 years. People are

also living longer, and the birth rate is low. As a result, the Trustees project that the ratio of 2.8 workers paying Social Security taxes to each person collecting benefits in 2015 will fall to 2.1 to 1 in 2037. In 2010, tax and other noninterest income did not fully cover program cost, and the 2016 Trustees Report projects that this pattern will continue for at least 75 years if no changes are made to the program. However, the Trustees also project that redemption of trust fund assets will be sufficient to allow for full payment of scheduled benefits until 2033.

- **The Long-Run Financial Outlook.** Social Security is not sustainable over the long term at current benefit and tax rates. In 2010, the program paid more in benefits and expenses than it collected in taxes and other noninterest income, and the 2016 Trustees Report projects this pattern to continue for the next 75 years. The Trustees estimate that the combined OASI and DI trust fund reserves will be depleted by 2034. At that point, payroll taxes and other income will flow into the fund but will be sufficient to pay only about 79% of program costs. As reported in the 2016 Trustees Report, the projected shortfall over the next 75 years is 2.66% of taxable payroll.

SSA Publication No. 13-11785 (August 2016).

7. NEW PROCEDURE HELPS PEOPLE MAKING IRA AND RETIREMENT PLAN ROLLOVERS: The Internal Revenue Service

provided a self-certification procedure designed to help recipients of retirement plan distributions who inadvertently miss the 60-day time limit for properly rolling these amounts into another retirement plan or individual retirement arrangement. In [Revenue Procedure 2016-47](#), the IRS explained how eligible taxpayers, encountering a variety of mitigating circumstances, can qualify for a waiver of the 60-day time limit and avoid possible early distribution taxes. In addition, the revenue procedure includes a sample self-certification letter that a taxpayer can use to notify the administrator or trustee of the retirement plan or IRA receiving the rollover that they qualify for the waiver. Normally, an eligible distribution from an IRA or workplace retirement plan can only qualify for tax-free rollover treatment if it is contributed to another IRA or workplace plan by the 60th day after it was received. In most cases, taxpayers who fail to meet the time limit could only obtain a waiver by requesting a private letter ruling from the IRS. A taxpayer who missed the time limit will now ordinarily qualify for a waiver if one or more of 11 circumstances, listed in the revenue procedure, apply to them. They include a distribution check that was misplaced and never cashed, the taxpayer's home was severely damaged, a family member died, the taxpayer or a family member was seriously ill, the taxpayer was incarcerated or restrictions were imposed by a foreign country. Ordinarily, the IRS and plan administrators and trustees will honor a taxpayer's truthful self-certification that they qualify for a waiver under these circumstances. Moreover, even if a taxpayer does not self-certify, the IRS now has the authority to grant a waiver during a subsequent examination.

Other requirements, along with a copy of a sample self-certification letter, can be found in the revenue procedure. The IRS encourages eligible taxpayers wishing to transfer retirement plan or IRA distributions to another retirement plan or IRA to consider requesting that the administrator or trustee make a direct trustee-to-trustee transfer, rather than doing a rollover. Doing so can avoid some of the delays and restrictions that often arise during the rollover process. For more information about rollovers and transfers, see section in Publication 590-A [Can You Move Retirement Plan Assets](#) or the [Rollovers of Retirement Plan and IRA Distributions](#) page on IRS.gov. IR-2016-113 (August 24, 2016).

8. TAX EFFECTS OF DIVORCE OR SEPARATION: If you are divorcing or recently divorced, taxes may be the last thing on your mind. However, Social Security Administration says these events can have a big impact on your wallet. Alimony and a name or address change are just a few items you may need to consider. Here are some key tax tips to keep in mind:

- **Child Support.** Child support payments are not deductible and if you received child support, it is not taxable.
- **Alimony Paid.** You can deduct alimony paid to or for a spouse or former spouse under a divorce or separation decree, regardless of whether you itemize deductions. Voluntary payments made outside a divorce or separation decree are not deductible. You must enter your spouse's Social Security

Number or Individual Taxpayer Identification Number on your Form 1040 when you file.

- **Alimony Received.** If you get alimony from your spouse or former spouse, it is taxable in the year you get it. Alimony is not subject to tax withholding so you may need to increase the tax you pay during the year to avoid a penalty. To do this, you can make estimated tax payments or increase the amount of tax withheld from your wages.
- **Spousal IRA.** If you get a final decree of divorce or separate maintenance by the end of your tax year, you can't deduct contributions you make to your former spouse's traditional IRA. You may be able to deduct contributions you make to your own traditional IRA.
- **Name Changes.** If you change your name after your divorce, be sure to notify the Social Security Administration. File Form SS-5, Application for a Social Security Card. You can get the form on SSA.gov or call 800-772-1213 to order it. The name on your tax return must match SSA records. A name mismatch can cause problems in the processing of your return and may delay your refund.

Health Care Law Considerations:

- **Special Marketplace Enrollment Period.** If you lose health insurance coverage due to divorce, you are still required to have coverage for every month of the year for yourself and the dependents you can claim on your tax return. You may enroll in

health coverage through the Health Insurance Marketplace during a Special Enrollment Period, if you lose coverage due to a divorce.

- **Changes In Circumstances.** If you purchase health insurance coverage through the Health Insurance Marketplace, you may get advance payments of the premium tax credit. If you do, you should report changes in circumstances to your Marketplace throughout the year. These changes include a change in marital status, a name change, a change of address, and a change in your income or family size. Reporting these changes will help make sure that you get the proper type and amount of financial assistance. This will also help you avoid getting too much or too little credit in advance.
- **Shared Policy Allocation.** If you divorced or are legally separated during the tax year and are enrolled in the same qualified health plan, you and your former spouse must allocate policy amounts on your separate tax returns to figure your premium tax credit and reconcile any advance payments made on your behalf. [Publication 974](#), Premium Tax Credit, has more information about the Shared Policy Allocation.

IRS Tax Tip 2016-23, (August 24, 2016).

9. SIGNS TO GET YOU THROUGH THE DAY: If attacked by a mob of clowns go for the juggler.

10. PARAPROSDOKIAN: I find it ironic that the colors red, white, and blue stand for freedom, until they are flashing behind you.

11. TODAY IN HISTORY: In 1972, Bobby Fischer (U.S.) defeats Boris Spassky (USSR) for world chess title.

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.