



CYPEN & CYPEN
NEWSLETTER
for
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Never Forget September 11, 2001
and
Always Remember May 2, 2011

1. FLORIDA RETIREMENT SYSTEM LOWERS ASSUMED RATE OF RETURN: The Florida Retirement System lowered its long-term assumed rate of return from 7.65% to 7.6%. The Florida State Board of Administration, Tallahassee, which oversees the \$143.6 billion defined benefit plan, “supports the direction taken by the committee,” said John Kuczwanski, FSBA communications manager, in a recent e-mail according to pionline.com. However, Milliman, the retirement

system's actuarial consultant; Aon Hewitt Investment Consulting, the FSBA's investment consultant; and the FSBA had “all recommended a reduction in the investment return assumption to 7.00%,” said an executive summary of the FRS' actuarial assumption estimating conference. Milliman projects the combined 30-year long-term capital market return of the system's diversified asset allocation will be an annualized 6.6%, while Aon Hewitt projects 6.3%, according to a Milliman report presented at the conference. The pension fund has underperformed its actuarial assumed return for the one, three, five, 10 and 20 years ended June 30, according to an FSBA report. The performance ranged from 0.54% for one year to an annualized 7.29% for 20 years. Only for 25 and 30 years, when the pension fund returned an annualized 8.39% and 8.45%, respectively, did the fund's performance reach or exceed the assumed return. For all of the periods, except for 30 years, the FSBA outperformed its customized market-based benchmark return. The Aon Hewitt, Milliman and FSBA “investment return models all indicate 50th percentile future returns materially below 7.65%,” the Milliman report said. “While decreasing the assumption would increase actuarially calculated contribution rates (for the fiscal year beginning June 30, 2017), in Milliman’s opinion it would provide a better estimate of anticipated future plan investment experience.” FSBA estimates contributions for the current fiscal year ending June 30 at \$3.1 billion, according to a report it presented. The funded status of the pension plan was estimated at 85.4%, down from 86.5% last year, according to the executive summary. The FRS' new 7.6% assumed rate is made up of a 4.87%

real return, down from 4.92% last year, and a 2.6% inflation rate, the same as last year, the executive summary said, adding the numbers are not additive because “real return takes into account administrative expenses.” The median assumed return of 127 public pension funds was 7.5%, according to a February report from the National Association of State Retirement Administrators. The new return assumption was adopted by a four-member committee of representatives of Governor Rick Scott, who is one of the three FSBA trustees. FSBA oversees a total of \$178 billion in assets.

2. EMPLOYERS CANNOT MANDATE USE OF PAYROLL DEBIT CARDS, SUPERIOR COURT RULES:

Pennsylvania employers cannot require workers to be paid on payroll debit cards, the state Superior Court has ruled in an issue of first impression. A unanimous three-judge panel ruled October 21 in *Siciliano v. Mueller* that the Pennsylvania Wage Payment and Collection Law requires employers to pay employees' wages through cash or check. The court found that the mandatory use of debit cards that may subject users to fees does not meet the requirement in Section 260.3 of the law that "wages shall be paid in lawful money of the United States or check." In 2013, just two weeks after the suit was filed, the Consumer Financial Protection Bureau warned employers that they could not require employees to receive wages on a payroll card. Last December, a California federal court approved a \$1.85 million settlement in a class action accusing Tommy Hilfiger's parent company of using payroll debit cards in violation of the state's labor laws. The *Siciliano* ruling made clear that

requiring the use of payroll debit cards violates state law. "The use of a voluntary payroll debit card may be an appropriate method of wage payment," Judge Anne E. Lazarus wrote for the court. "However, until our General Assembly provides otherwise, the plain language of the WPCL makes clear that the mandatory use of payroll debit cards at issue here, which may subject the user to fees, is not." The issue before the court concerned payments made by Albert and Carol Mueller to employees of the 16 McDonald's franchises they own and operate in Pennsylvania. A class of plaintiffs consisting of current and former hourly employees of those restaurants filed a complaint against the Muellers in 2013, alleging that from November 2010 to July 2013 they were required to accept payment in the form of JPMorgan Chase payroll cards, in violation of the wage-payment law, Lazarus said. The Luzerne County Court of Common Pleas certified the class action in 2015 and denied the Muellers' motion for summary judgment, writing in an order that there was a controlling question of law to be addressed on appeal. The Muellers argued that a debit card is the "functional equivalent" of a check or lawful money, but Lazarus said the argument failed because the cards forced users to incur fees including over-the-counter cash withdrawal fees and inactivity fees. For example, she said, cardholders were limited to one free withdrawal per deposit, and each further withdrawal carried a \$5 fee. The American Payroll Association filed an amicus brief in support of the Muellers, arguing that payroll cards involve the deposit of wages into an employee's account at a "financial institution." The portion of the Banking Code to which the APA cited, though, "requires the

written request of the recipient" to allow the use of payroll cards, Lazarus said. "The language is clear," Lazarus said. "A debit card is not 'lawful money' and it is not a 'check' as contemplated by the drafters of the WPCL. ... The legislature obviously did not contemplate the concept of a payroll debit card when it adopted the language of Section 260.3 in 1961." In a footnote, Lazarus said that a bill introduced in the legislature would allow employers to pay employees' wages with payroll debit cards, as long as employees voluntarily provide advance authorization in writing, permitting payment in that manner. It has not been voted on by either chamber.

3. RECENT DEMOGRAPHICS AND OTHER STATISTICS IN

SECURITIES FRAUD CLASS ACTIONS: A recent article by attorney Reed R. Kathrein published in *The NAPPA Report* reveals the following statistics:

- Roughly 200 companies -- or about four percent of all domestically traded public companies -- are sued each year in securities fraud class actions.
- Approximately 4,000 have been filed since the passage of the PSLRA, only 21 have gone to trial and only 15 reached a judgment or verdict.
- Recent statistics gathered by Cornerstone Research reveal lost

market capitalization based drops, at the end of the class period, to be around \$100 billion annually.

- Losses, measured from the highest stock value in the class period, are about four times greater or about \$400 billion.
- NERA Economic Consulting, using their own unique proxy for damages, estimates that the investor losses on all cases filed in 2015 total \$183 billion.
- Cornerstone reports that the total value of settlements in 2015 was \$3 billion, similar to the annual average of \$2.8 billion for the prior five years, but still well below the historically high levels of \$20 billion and \$8 billion seen in 2006 and 2007.
- In 2009, it took 79 days on average for the first suit to be filed from the time of a disclosure causing the stock to drop, according to Cornerstone. In 2015, the pace quickened to 10 days on average.
- A sample of the 24 lead plaintiff appointments occurring in the first two months of 2016 reveals only 10 institutional investor appointments.

- Cornerstone tells us, that of the 60 or so cases settled annually between 2011 and 2015, institutional investors increased their share of the settlements from 22 to 39%.
- In 2015 alone, the median settlement for cases lead by a retail investor was \$6.4 million compared to \$18 million for cases lead by an institutional investor.

4. PBGC PROVIDES MAXIMUM INSURANCE BENEFIT LEVEL

FOR 2017: Pension Benefit Guaranty Corporation announced the 2017 annual maximum guaranteed benefit for a 65-year old retiree in a single employer plan is increasing to \$64,432 from \$60,136. The maximum guarantee for single-employer plan participants usually increases annually and is determined using a formula prescribed by federal law. The formula provides lower amounts for people who begin getting benefits from PBGC before age 65, reflecting the fact that they will receive more monthly pension checks over their expected lifetime. The PBGC maximum guarantee for multiemployer plan participants is not indexed and varies based on retiree length of service, not retiree age or payment form. In addition, the multiemployer guarantee structure has two tiers, providing 100% coverage up to a certain level and 75% coverage above that level. For a retiree with 20 years of service, the current annual limit is 100% of the first \$2,640 and 75% of the next \$7,920 for a total guarantee of

\$8,580. This limit has been in place since 2001.

5. THE SOCIAL SECURITY RETIREMENT AGE: Congressional Research Service has issued a new report entitled: “*The Social Security Retirement Age.*” The full retirement age is the age at which workers can claim full Social Security retired worker benefits. The size of the monthly benefits is affected by when the worker claims benefits. The worker’s age when claiming benefits is compared with the FRA, and adjustments are made depending on the number of months before or after the FRA the worker claims benefits. Adjustments for claiming before or after the FRA are intended to result in similar total lifetime benefits, regardless of when the worker claims benefits: retiring before the FRA results in a reduction in monthly benefits (to take into account the longer expected period of benefit receipt) and retiring after the FRA results in an increase in monthly benefits (to take into account the shorter expected period of benefit receipt). The FRA was 65 at the inception of Social Security, but has been gradually increased upwards, to 67 for those born in 1960 or later. Claiming benefits past age 70 does not increase the monthly benefits. The earliest age retired worker beneficiaries may begin receiving benefits is called the early eligibility age. The current EEA is 62 for retired workers and their spouses; retirement benefits cannot be claimed by workers or spouses prior to 62. Although workers cannot receive retirement benefits prior to the EEA, dependents could be eligible for benefits earlier than age 62 under certain circumstances. In 2015, approximately 40% of new retired worker beneficiaries

claimed benefits at age 62. More than half of beneficiaries who claimed retired worker benefits in 2015 claimed before the FRA. To read the entire report, visit:

<http://www.fas.org/sgp/crs/misc/R44670.pdf>.

6. ADDRESSING THE MOST SERIOUS DC PLAN LEAKAGE

PROBLEM: Addressing the issue of defined contribution retirement plan leakage has been a task on which players in the retirement industry have been working for years in a piece from plansponsor.com. There are already strict requirements for when a DC plan participant can take a hardship withdrawal. It has been recommended that DC plan sponsors limit the number of loans participants can take or limit the accounts from which they can take loans. It has also been noted that there is nothing in the law that says participants must pay loans in full upon termination of employment, but the problem with allowing ex-participants to continue to make repayments may be with the recordkeeper. However, hardship withdrawals and participant loans are not the biggest leakage problem DC plans have. “Without a doubt, cashouts are biggest portion of retirement plan leakage,” says Employee Benefit Research Institute Research Director Jack VanDerhei. An analysis conducted by VanDerhei for EBRI in 2014 found approximately two-thirds of the leakage impact is associated with cashouts that sometimes occur at job change. A demonstration provided by Retirement Clearinghouse shows that in just more than 30 years, total cashouts could reach \$282 billion, and rollovers to other qualified plans would be only \$14.7

billion among 8.4 million participants. Its analysis did not include appreciation, so these amounts would be larger if average returns were included. Retirement Clearinghouse has introduced an innovation that it hopes could change these numbers. Currently, under the Employee Retirement Income Security Act, DC plan sponsors are allowed to automatically force out participant account balances less than \$5,000. For amounts between \$1,000 and \$5,000, the amounts must be placed in a safe harbor individual retirement account. Spencer Williams, president and CEO of Retirement Clearinghouse, explains that its automatic portability solution would use the demographic data from that rollover, send it to recordkeepers to see if there is a match in their system and if one is found, automatically rollover the employee's IRA account to his new plan. Retirement Clearinghouse's demonstration shows that in just more than 30 years, under auto-portability, cashouts would be reduced to \$144.3 billion, and rollovers would be \$133.5 billion among 77.5 million participants. VanDerhei says until there is legislation to address cashouts, automatic roll-ins are the best way of trying to do something that will use employees' inertia for their own good. "If we can link those relatively small amounts from the past employer to the future employer, we have seen over and over the size of the account balance increases." "And if we can get employees' balances up to a sweet spot for a particular age, they will see their balances as significant enough to not take out of the plan." Williams says that sweet spot starts at \$10,000 and goes up to \$20,000. "The probability of cashing out drops from 90% to 30% when a participant's account

goes over \$20,000.” He notes that auto-portability can help participant accounts get to \$20,000 much sooner, and it also makes rollovers easier for participants.” VanDerhei says he has no knowledge of anyone trying to address the cashout problem legislatively. This past summer, the Bipartisan Policy Center’s Commission on Retirement Security and Personal Savings issued a report recommending that to prevent leakage from retirement plans, policymakers must ease the process for transferring savings from plan to plan. But, VanDerhei says just because the Bipartisan Policy Center made proposals for addressing the DC retirement system’s problems does not mean anyone will try to issue a legislative package for all or any of its suggestions. The Internal Revenue Service, however, has made attempts to make the plan-to-plan rollover process easier: by introducing an easy way for a receiving plan to confirm the sending plan’s tax-qualified status; issuing new guidance for allocating pre-tax and after-tax amounts among distributions that are made to multiple destinations from a qualified plan; and introducing a new 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. VanDerhei says employees do get frustrated with what they have to do to rollover their assets to a new plan, so making that easier is key. However, he also notes that with the new financial wellness interest among employers, information directed at a DC plan participant at the point of termination of employment could have an impact. “If they realize what [cashing out] will cost them in the long run and how it will affect their total

retirement savings, it could modify the behavior of some participants,” VanDerhei says. He adds, however, that there are some people, no matter what the plan sponsor does or says, who need the money and will cash out. “In any case, automatic provisions trump anything plan sponsors can do with education,” VanDerhei concludes. “It will still allow employees access to their cash if they need it, but the default will be best for them in the long run.”

7. THE SOCIETY OF ACTUARIES PUBLISHES ANNUAL UPDATE TO MORTALITY IMPROVEMENT SCALE:

The Society of Actuaries has released its annually-updated mortality improvement scale for pension plans, MP-2016, incorporating three additional years of Social Security Administration data on U.S. population mortality. The updated improvement scale suggests U.S. mortality continues to improve, but at a slower average rate of improvement than previous years, which may decrease pension plan obligations slightly. MP-2016 incorporates SSA mortality data from 2012-2014 and a slight modification of two input values designed to improve the model’s year-over-year stability. The updated improvement scale indicates a slight decline in life expectancy as a result of the slower average rate of mortality improvement. For example, the life expectancy for a 65-year-old male declined to 85.8 years under the MP-2016 scale, compared to 86.2 years using the MP-2015 scale. Additionally, the life expectancy for a 65-year-old female is now 87.8 years under MP-2016, compared to 88.2 years based on the previous MP-2015 scale. The updated scale can be used by pension plans to assist in making

forward mortality assumptions in the valuation of pension payment obligations. Based on the SOA's preliminary estimates, MP-2016 may reduce a pension plan's current liabilities by 1.5-2.0 percent, depending on the individual characteristics of the plan. The SOA's MP-2015 improvement scale update, released in October of 2015, included SSA mortality data from 2010 and 2011. This year's scale incorporates 2012 and 2013 SSA mortality data released since the previous update, and also includes preliminary 2014 SSA mortality data generated by the SOA using the SSA's mortality rate analysis process. The SOA conducted this analysis in full cooperation with the SSA, the Centers for Disease Control and Prevention and the Centers for Medicare & Medicaid Services, and is releasing the 2014 mortality data publicly for the first time with the MP-2016 update. You can read the full Mortality Improvement Scale MP-2016 report at:

<https://www.soa.org/Files/Research/Exp-Study/mortality-improvement-scale-mp-2016.pdf>.

8. PUBLIC PENSION PLAN RETURN ASSUMPTIONS: Public pension plans have abandoned their 8% return assumption en masse since 2010, accepting that the current investing environment cannot keep pace with that level of return according to pionline.com. Using best available survey data, The National Association of State Retirement Administrators found that the majority of plans as of FY 2016 have shifted their return assumptions into the 7.25%-to-7.5% range. Half of the number of plans that targeted a return of 8% in 2005 have maintained that into the current period.

9. THE GOVERNMENT JOBS THAT ARE (AND ARE NOT)

BECOMING SAFER: Some of the most dangerous occupations -- police, firefighters and residential care facility workers, to name a few -- are often found in the public sector. And new Labor Department data has found that some of the more hazardous government professions have become somewhat safer in recent years according to governing.com. In all, state and local government employers reported 752,600 injuries or illnesses in 2015. That equates to about 5.1 cases per 100 full-time workers, an overall rate that has declined marginally in recent years. The vast majority of these cases are injuries rather than illnesses. The Labor Department classifies injuries and illnesses that result in days away from work, job restrictions or transfers as the DART rate. The following summarizes how the DART rate is trending for several prominent government occupations:

- **Fire Protection.** Not surprisingly, firefighters historically have incurred among the highest rates of injury and illness of any occupation. Recent federal statistics depict a slight gradual decline in firefighter injuries and illnesses. Updated fire codes and more widespread use of fire suppression systems help to limit injuries. Research from the National Fire Protection Association also suggests fire departments are getting better at promoting safety and equipping personnel with improved safety equipment. Still, rates of injuries sustained at the scene of fires have remained relatively constant over the past 20 years,

according to the group. Over half of firefighter injuries reported last year did not occur at fire emergency scenes, though. Falls, slips, overexertion and muscle strains account for the most frequent types of injuries.

- **Nursing and Residential Care Facilities.** Local government nursing and residential care workers have experienced the largest recent drop in the DART injury and illness rate of any public-sector occupation recorded in the federal data. Part of that is likely a result of the rate being so high to begin with, falling from 7.3 cases per 100 workers in 2010 to 4.6 cases last year. Similarly, state government-operated nursing and residential care facilities have also generally registered declines. About 7.4 injuries or illnesses causing missed days of work, job restrictions or transfers were reported per 100 workers last year, a rate that's still notably higher than that of local government facilities. States, though, run psychiatric hospitals and other facilities more fraught with safety risks.

10. CHECKLIST OF FEDERAL TAX LAW RULES APPLICABLE TO PUBLIC RETIREMENT SYSTEMS:

Carol V. Calhoun has prepared a basic summary of the principal Internal Revenue Code qualification requirements that apply to governmental plans, other than plans described in Code section 403(b) or 457(b). It also includes selected Code requirements that do not relate to qualification. It is very general in nature, and does not replace research on specific questions.

Access this excellent reference guide at:

<http://benefitsattorney.com/charts/appfa/>.

11. DESPITE NEGATIVE MEDIA PORTRAYAL, RESPECT FOR LOCAL LAW ENFORCEMENT AT HIGHEST LEVEL SINCE 1976: A

Gallup poll recently released shows 76% of Americans have a “great deal” of respect for police in their area, a 12% increase from 2015 according to leoaffairs.com. Seventeen percent of people said they had “some” respect” while 7% said they had “hardly any.” Gallup has asked the question “How much respect do you have for the police in your area -- a great deal, some or hardly any?” nine times since 1965 in annual crime polls. “The percentage who say they respect the police is significantly higher now than in any measurement taken since the 1990s and is just 1 point below the high of 77% recorded in 1967,” Gallup said. “Solid majorities of Americans have said they respect their local law enforcement in all polls conducted since 1965.” “Four in five whites (80%) say they have a great deal of respect for police in their area, up 11 points from last year. Meanwhile, two in three non-whites (67%) report having the same level of respect, an increase of 14 points from last year.” White Americans have been more likely than non-white Americans to say they respect local law enforcement since 2000, Gallup adds. When split along ideology, respect for police is highest among Republicans with 86% and conservatives with 85% saying they have a “great deal” of respect for police -- higher than the 68% of Democrats and 71% of liberals say they have a “great deal” of respect.” “The sharp increase over the past year in professed respect for local law enforcement comes as many

police say they feel they are on the defensive -- both politically and for their lives while they are on duty -- amid heated national discussions on police brutality and shootings,”

12. IRS ANNOUNCES 2017 PENSION PLAN LIMITATIONS; 401(K) CONTRIBUTION LIMIT REMAINS UNCHANGED AT \$18,000 FOR

2017: The Internal Revenue Service announced cost of living adjustments affecting dollar limitations for pension plans and other retirement-related items for tax year 2017. The IRS today issued technical guidance detailing these items in Notice 2016-62. The income ranges for determining eligibility to make deductible contributions to traditional Individual Retirement Arrangements, to contribute to Roth IRAs, and to claim the saver’s credit all increased for 2017. Taxpayers can deduct contributions to a traditional IRA if they meet certain conditions. If during the year either the taxpayer or their spouse was covered by a retirement plan at work, the deduction may be reduced, or phased out, until it is eliminated, depending on filing status and income. (If neither the taxpayer nor their spouse is covered by a retirement plan at work, the phase-outs of the deduction do not apply.) Here are the phase-out ranges for 2017:

- For single taxpayers covered by a workplace retirement plan, the phase-out range is \$62,000 to \$72,000, up from \$61,000 to \$71,000.
- For married couples filing jointly, where the spouse making the IRA contribution is covered by a workplace retirement plan, the

phase-out range is \$99,000 to \$119,000, up from \$98,000 to \$118,000.

- For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$186,000 and \$196,000, up from \$184,000 and \$194,000.
- For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.

The income phase-out range for taxpayers making contributions to a Roth IRA is \$118,000 to \$133,000 for singles and heads of household, up from \$117,000 to \$132,000. For married couples filing jointly, the income phase-out range is \$186,000 to \$196,000, up from \$184,000 to \$194,000. The phase-out range for a married individual filing a separate return who makes contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000. The income limit for the saver's credit (also known as the retirement savings contributions credit) for low- and moderate-income workers is \$62,000 for married couples filing jointly, up from \$61,500; \$46,500 for heads of household, up from \$46,125; and \$31,000 for singles and married individuals filing separately, up from \$30,750.

Highlights of limitations that remain unchanged from 2016

- The contribution limit for employees who participate in 401(k),

403(b), most 457 plans, and the federal government's Thrift Savings Plan remains unchanged at \$18,000.

- The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan remains unchanged at \$6,000.
- The limit on annual contributions to an IRA remains unchanged at \$5,500. The additional catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains \$1,000.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. Section 415(d) requires that the Secretary of the Treasury annually adjust these limits for cost of living increases. Other limitations applicable to deferred compensation plans are also affected by these adjustments under Section 415. Under Section 415(d), the adjustments are to be made following adjustment procedures similar to those used to adjust benefit amounts under Section 215(i)(2)(A) of the Social Security Act. Effective January 1, 2017, the limitation on the annual benefit under a defined benefit plan under Section 415(b)(1)(A) is increased from \$210,000 to \$215,000. For a participant who separated from service before January 1, 2017, the limitation for defined benefit plans under Section 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2016, by 1.0112. The

limitation for defined contribution plans under Section 415(c)(1)(A) is increased in 2017 from \$53,000 to \$54,000. The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of Section 415(b)(1)(A). After taking into account the applicable rounding rules, the amounts for 2017 are as follows:

- The limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) remains unchanged at \$18,000.
- The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from \$265,000 to \$270,000.
- The dollar limitation under Section 416(i)(1)(A)(i) concerning the definition of key employee in a top-heavy plan is increased from \$170,000 to \$175,000.
- The dollar amount under Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5 year distribution period is increased from \$1,070,000 to \$1,080,000, while the dollar amount used to determine the lengthening of the 5 year distribution period is increased from \$210,000 to \$215,000.
- The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) remains unchanged at \$120,000.
- The dollar limitation under Section 414(v)(2)(B)(i) for catch-up

contributions to an applicable employer plan other than a plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at \$6,000. The dollar limitation under Section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at \$3,000.

- The annual compensation limitation under Section 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost of living adjustments to the compensation limitation under the plan under Section 401(a)(17) to be taken into account, is increased from \$395,000 to \$400,000.
- The compensation amount under Section 408(k)(2)(C) regarding simplified employee pensions remains unchanged at \$600.
- The limitation under Section 408(p)(2)(E) regarding SIMPLE retirement accounts remains unchanged at \$12,500.
- The limitation on deferrals under Section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations remains unchanged at \$18,000.
- The limitation under Section 664(g)(7) concerning the qualified gratuitous transfer of qualified employer securities to an employee stock ownership plan remains unchanged at \$45,000.
- The compensation amount under Section 1.61-21(f)(5)(i) of the Income Tax Regulations concerning the definition of “control

employee” for fringe benefit valuation remains unchanged at \$105,000. The compensation amount under Section 1.61-21(f)(5)(iii) remains unchanged at \$215,000.

- The dollar limitation on premiums paid with respect to a qualifying longevity annuity contract under Section 1.401(a)(9)-6, A-17(b)(2)(i) of the Income Tax Regulations remains unchanged at \$125,000.
- The Code provides that the \$1,000,000,000 threshold used to determine whether a multiemployer plan is a systemically important plan under Section 432(e)(9)(H)(v)(III)(aa) is adjusted using the cost-of-living adjustment provided under Section 432(e)(9)(H)(v)(III)(bb). After taking the applicable rounding rule into account, the threshold used to determine whether a multiemployer plan is a systemically important plan under Section 432(e)(9)(H)(v)(III)(aa) remains unchanged for 2017 at \$1,012,000,000.
- The Code also provides that several retirement-related amounts are to be adjusted using the cost-of-living adjustment under Section 1(f)(3). After taking the applicable rounding rules into account, the amounts for 2017 are as follows:
 - The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for married taxpayers filing a joint return remains unchanged at \$37,000; the limitation under Section 25B(b)(1)(B) remains unchanged at \$40,000; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from

\$61,500 to \$62,000.

- The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for taxpayers filing as head of household remains unchanged at \$27,750; the limitation under Section 25B(b)(1)(B) remains unchanged at \$30,000; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from \$46,125 to \$46,500.
- The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for all other taxpayers remains unchanged at \$18,500; the limitation under Section 25B(b)(1)(B) remains unchanged at \$20,000; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from \$30,750 to \$31,000.
- The deductible amount under Section 219(b)(5)(A) for an individual making qualified retirement contributions remains unchanged at \$5,500.
- The applicable dollar amount under Section 219(g)(3)(B)(i) for determining the deductible amount of an IRA contribution for taxpayers who are active participants filing a joint return or as a qualifying widow(er) increased from \$98,000 to \$99,000. The applicable dollar amount under Section 219(g)(3)(B)(ii) for all other taxpayers who are active participants (other than married taxpayers filing separate returns) increased from \$61,000 to \$62,000. If an individual or the individual's spouse is an active participant, the applicable dollar amount under Section

219(g)(3)(B)(iii) for a married individual filing a separate return is not subject to an annual cost-of-living adjustment and remains \$0. The applicable dollar amount under Section 219(g)(7)(A) for a taxpayer who is not an active participant but whose spouse is an active participant is increased from \$184,000 to \$186,000.

- The adjusted gross income limitation under Section 408A(c)(3)(B)(ii)(I) for determining the maximum Roth IRA contribution for married taxpayers filing a joint return or for taxpayers filing as a qualifying widow(er) is increased from \$184,000 to \$186,000. The adjusted gross income limitation under Section 408A(c)(3)(B)(ii)(II) for all other taxpayers (other than married taxpayers filing separate returns) is increased from \$117,000 to \$118,000. The applicable dollar amount under Section 408A(c)(3)(B)(ii)(III) for a married individual filing a separate return is not subject to an annual cost-of-living adjustment and remains \$0.
- The dollar amount under Section 430(c)(7)(D)(i)(II) used to determine excess employee compensation with respect to a single-employer defined benefit pension plan for which the special election under Section 430(c)(2)(D) has been made is increased from \$1,106,000 to \$1,115,000.

IR-2016-141 (October 27, 2016).

13. DB PLANS ARE NOT TOTALLY DISAPPEARING: Data extracted by the Department of Labor's Employee Benefits Security

Administration from 2014 Form 5500 reports finds defined benefit retirement plans are not disappearing according to plansponsor.com. The total number of retirement plans increased in 2014 to approximately 685,000 plans -- a 0.6% increase over 2013. The number of defined contribution plans grew by 0.5%, while the number of DB plans increased by 1.6%. The data also shows the total amount of assets held by retirement plans increased 5.5% to \$8.3 trillion in 2014. DB plan assets increased 4.2% to nearly \$3.0 trillion, while DC plan assets increased by 6.3% to \$5.3 trillion. However, the report notes that in 2014, 21.4% of DB plans report being fully frozen. Also, 14.9% of total DB plan assets were frozen in 2014. In 2014, there were 89.9 million active participants in private-sector retirement plans. Approximately 14.5 million were active participants in DB plans, and 75.4 million were active participants in DC plans. DC plan contributions increased by 7.0%, to \$403.5 billion in 2014, the Form 5500 data shows. DB plan contributions decreased by 13.9% to \$97.9 billion. In total, retirement plans disbursed \$650 billion for payment of benefits in 2014, with \$221.6 billion being disbursed from DB plans and \$428.4 billion from DC plans. These payments were made either directly to retirees, beneficiaries, and terminating employees or to insurance carriers for payment of benefits. These amounts reflect an 11% increase for DC plans and a 3.5% decrease for DB plans. Overall, retirement plans disbursed \$148.6 billion more than they received in contributions. DB plans disbursed \$123.7 billion more than they collected in contributions, while DC plans disbursed \$24.9 billion more than they received in contributions.

14. FUN WITH WORDS: A bicycle cannot stand alone; it is just two tired.

15. PARAPROSDOKIAN: Sometimes I wake up grumpy; other times I let her sleep.

16. TODAY IN HISTORY: In 1956, "Wizard of Oz" 1st televised (CBS-TV).

17. 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.

18. 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>.

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

