



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

1. AMENDED STATUTE DID NOT MAKE MANDATORY OVERTIME PART OF MEMBERS ANNUAL BASE COMPENSATION FOR PENSION PURPOSES: Police officers brought an action against the Employees' Retirement System of Alabama, seeking injunctive relief and a judgment declaring that participants in ERS pension plan could make retirement contributions, and therefore receive increased retirement benefits, based upon their “earnable compensation,” to

include payments received for overtime worked. The Circuit Court, granted summary judgment for defendants, and plaintiffs appealed. On appeal, the Supreme Court of Alabama held:

1. “Earnable compensation” refers to the full rate of compensation that would be payable to an employee if he worked the full normal work-time, and does not include overtime pay;
2. State's changing its interpretation of “earnable compensation” did not unconstitutionally infringe on contractual rights of vested members in the ERS plan; and
3. Amended statute did not make mandatory overtime part of a member's annual base compensation.

Judgment for defendants affirmed. *Southern States Police Benevolent Association, Inc. v. Bentley*, Case Nos. 1150265 and 1150360 (Ala. September 23, 2016).

2. CORRECTING FOR AN IMPROPER VESTING CALCULATION:

When an employee terminates and exits his company’s qualified retirement plan, he does not only take what he saved in his account. However much he has vested of his employers’ contributions goes along, too. Sometimes, though, that amount gets calculated incorrectly according to plansponsor.com. When a plan sponsor discovers such an error, what should it do? And what are the basic

Internal Revenue Service rules about vesting that plan sponsors should follow and account for in their plan documents? The IRS has approved two methods by which a participant becomes vested in the contributions his employer makes to his retirement account. With the simpler, cliff vesting schedule, the participant becomes 100% entitled to all company stock, match amounts, profit-sharing payments, *etc.*, he has accumulated, on completion of, at maximum, five years of service (three years for contributions made as of 2007); until then, he may own none of it. With graded vesting, the employee becomes progressively entitled to the employer-contributed assets, receiving at least 20% for three years of completed service, and 20% more for each additional year up to seven (two and six years for contributions made as of 2007). Whatever method a plan has adopted, the schedule must appear in the retirement plan document and its summary plan description. If a retirement plan pays an ex-employee less than its vesting schedule required, it could lose its qualified status. If a plan sponsor discovers this type of error and corrects it in less than two years starting from the end of the plan year in which the forfeiture occurred, use of the IRS' Self-Correction Program should suffice. If additional time goes by or is required, the sponsor needs to contact the IRS and -- unless the failure is "insignificant" -- use the Voluntary Correction Program, incurring a fee. The IRS notes that "the forfeiture of the non-vested amount may only occur after the expiration of five years of little or no service or, if the plan provides, upon payment of the vested amount if a provision is made for a future buy-back of forfeited amounts (by rehired employees). Forfeitures can

be allocated to the remaining participants based on a pre-chosen formula or used to reduce future plan contributions.” When a plan follows the latter practice, and forfeited savings have yet to be reallocated, it can restore the additional amount to the ex-employee's account, making adjustments for earnings, and send him a check. More complicated is when the plan allocates the money among other participant accounts. Such plans have two IRS-approved correction options. In the first, the “contribution correction method,” the sponsor contributes the balance of the correct distribution, adjusted for earnings, to the individual’s account. He is then issued a distribution for the account balance. If the incorrectly forfeited amount was distributed among the remaining participants, no restitution must be made -- their accounts will keep the money. In the “reallocation correction method,” the money is withdrawn from the other accounts. The sponsor unallocates the amount wrongly forfeited, restoring it to the ex-employee's account, and makes a contribution to adjust for earnings. He is then issued a distribution of his restored account balance. The key to preventing this error is to keep accurate service records for all employees, including their hours worked in a plan year, their date of hire and date of termination. The plan sponsor should also be familiar with the vesting schedule the plan has adopted so it can ensure that the proper percentage gets applied when an employee leaves the company and plan.

3. SOCIAL SECURITY SPOUSAL BENEFITS -- MORE THAN HALF OF PEOPLE DO NOT KNOW THEY HAVE THEM: Enough about

Social Security already. Had your fill of being lectured on why delaying benefits is good? Bored of trying to read the tea leaves about the upcoming annual cost of living adjustment announcement? According to onwallstreet.com before you stuff your Social Security notes in the nether regions of your file cabinet, you might want to look at a recent Government Accountability Office report. The report, released on September 14, raises red flags about the continued lack of understanding among the general public of how Social Security works. It additionally identifies important behavioral biases that interfere with smart claiming decisions. The GAO initiative surveyed existing Social Security research, which either evaluated how well people understand Social Security benefits or explored the important factors that govern their decision-making behavior. Social Security is the primary source of retirement income for many people, providing an aggregate of 52% of all income for people over 65. The report found a shocking lack of basic consumer knowledge about these benefits even in the face of dramatically increased adviser expertise on the program and its features. Spousal benefits are a core feature and benefit of the program. They allow a person to collect a benefit based on the work history of their spouse regardless of whether that person ever worked a day in his or her life. A full 50% of respondents did not know that a Social Security payroll tax-paying history was not required to qualify for spousal benefits. Even more surprising, 52% of respondents did not even know that there was such a thing as a spousal benefit. There is also confusion about taxation. As much as 85% of Social Security benefits could be taxed, depending on one's

total income level, but 42% of respondents did not even know that benefits could be taxed. While many people are woefully uninformed about the mechanics of Social Security, better information alone is not enough to guarantee better claiming behavior. The report also describes the significant effect of behavioral biases on decision-making. Behavioral research shows that individuals are strongly influenced by how information is presented. Different ways of framing a topic, for instance, can strongly affect decision-making. Here are two examples from the GAO report. Break-even analysis is a very common tool used by the Social Security Administration and financial professionals to explain the effects of delaying claiming benefits. Break-even analysis demonstrates that whether one claims benefits as early as 62, as late as 70, or somewhere in between, cumulative lifetime benefit will be the same at a future break-even age, usually in one's early eighties. This is not by chance. The benefit structure is set up to provide an actuarially equivalent benefit regardless of the initial claiming age. Break-even analysis was developed in order to help individuals understand the system and make informed choices. Research shows, however, that using break-even analysis can cause people to make worse decisions by inducing individuals to claim benefits at earlier ages, not later ages. There appear to be strong behavioral biases at work due to the way that break-even analysis frames the issue. This tool seems to stimulate the very well-researched aversion to loss, which most people exhibit. This loss aversion plays out in a few ways. Individuals seem to irrationally fear the potential loss of lifetime benefits due to an early death, no matter

how unlikely that scenario is when they view the break-even analysis results. They also view the option of delaying claiming as placing them in a stressful situation of needing to “catch up” to the lifetime benefits they would have collected by claiming early. The net effect is that more people chose earlier filing when presented with the break-even analysis than if they were not. Using break-even analysis also appears likely to contribute to greater longevity risk. Longevity is increasing and represents one of the main financial risks people face in later life. One in four people over 65 is expected to live to at least 90. A 65-year-old couple has a 50% chance that one of the spouses will live till at least 92. Delaying claiming Social Security provides a crucial “longevity insurance” type of benefit. Delaying claiming insures against financial challenges of longer lives by providing significantly higher lifetime monthly income. This is especially important the older one gets and as the cost of living increases. Unfortunately, break-even analysis implicitly de-emphasizes the essential “longevity insurance” feature of delaying claiming. It causes individuals to fixate on perceived short-term losses while ignoring long-term needs. Compounding longevity risk is the fact that many individuals do not understand the real probability of living a long life. Two out of five respondents over 45 underestimated average life expectancy by five years. Furthermore, even if they accurately estimate life expectancy, people tend to anchor onto this lifetime average as a practical life expectancy for planning purposes. They often do not realize that almost 50% of people, by definition, will live beyond this age. This report is an important wake-up call to the still unfulfilled need for client

guidance about this pillar of retirement planning. There remains a clear need for advisers not only to continue to provide information about the Social Security system but also to help clients avoid the snares of these behavioral traps. Make sure clients really understand the realistic chances of living a long life. Help them anchor the discussion on claiming at later ages and let them perceive early claiming in terms of loss.

4. FLORIDA'S MINIMUM WAGE TO INCREASE ON JANUARY 1, 2017: In 2004, Florida voters approved a constitutional amendment that established a statewide minimum wage. The Florida minimum wage applies to all employees in the state who are covered by the federal minimum wage. The Florida minimum wage law requires a new minimum wage calculation each year on September 30. These calculations are based on the percentage increase in the federal Consumer Price Index for Urban Wage Earners and Clerical Workers in the South Region for the 12-month period prior to September 1. If that calculation is higher than the federal rate, Florida's minimum wage rate takes effect the following January. Florida's current minimum wage is \$8.05 per hour, effective January 1, 2015. The minimum wage did not increase in 2016, but will increase in 2017. Beginning January 1, 2017, Florida's minimum wage will be \$8.10 per hour, which is a 0.6% (or \$0.05) increase from the previous year and is based on the change in the Consumer Price Index. Employers of tipped employees who meet eligibility requirements for the tip credit under the Fair Labor Standards Act may count tips actually received

as wages under the FLSA, but employers must also pay these tipped employees a direct wage. Effective January 1, 2017, the new minimum wage for tipped employees will become \$5.08 per hour plus tips.

5. HOW MANY POLICE OFFICERS DOES A CITY NEED?: Police officers in Portland, Oregon, have seen their ranks slowly dwindle as their fellow officers retire or seek other opportunities. At the same time, the city's population and number of 911 calls keep climbing. Officials say officers often do not even have time to investigate low-level crimes according to governing.com. The situation prompted police chief Mike Marshman to call attention to what he considers a “staffing crisis” as the city council prepared for a contentious vote on a new contract that included pay hikes intended to better retain and recruit officers. The debates about the contract, which was approved recently, are a situation that police chiefs and local elected officials often find themselves in: fighting over proposed cuts or funding increases. The predicament raises an important question: How many officers does a police department need? Data reported by law enforcement agencies to the FBI depict a wide variation in the size of departments. Washington, D.C., for instance, maintains by far the largest police presence of any city, with about 57 officers for every 10,000 residents. Not too far behind is the Wilmington, Delaware, Police Department, employing approximately 43 officers for every 10,000 residents. Those numbers seem big when compared with a place like San Jose, California, which has only 9 officers per 10,000

people. In general, the largest cities have a greater presence of police officers than smaller and mid-sized jurisdictions. On average, all localities with populations of at least 50,000 employed 16.6 officers and 21.4 total personnel for every 10,000 residents in 2015, according to the FBI data. While the FBI data is useful for comparing cities, it does not tell us how many police officers a department needs. In fact, there's no national standard for how many police officers cities should have per capita. Police association groups and experts think they have the answer. They generally advocate that officials base staffing decisions on a systematic analysis of an agency's current and projected future workloads. Research published by the U.S. Department of Justice outlines such a performance-based approach to staffing, which relies, in part, on examining 911 calls. Compared to other methods, this approach better accounts for characteristics specific to an individual agency or its jurisdiction. Still, it is not without its limitations: It is labor-intensive, and the research suggests that it works best in jurisdictions that get at least 15,000 calls a year. Despite its cheerleaders, the "workload" approach is rarely utilized. In fact, it is the least commonly used method, according to an analysis published by the International City/County Management Association's Center for Public Safety Management. Instead, one of the most common approaches is to base staffing on population. But that does not necessarily reflect agencies' actual workloads. Consider, for instance, how major cities see their populations swell significantly during the daytime. Roughly half a million workers commute to Washington, D.C., each weekday along with thousands more tourists. Another

common approach bases staffing levels on predetermined minimums set by prior policies. Such arrangements are often difficult to adjust as they are frequently cited in collective bargaining agreements. Last year, the San Francisco Board of Supervisors passed a resolution proposing that the police department raise its minimum staffing level to match the city's population growth since 1994, when a proposition setting a minimum staffing level was passed. A subsequent budget and legislative analyst report advised the city to instead conduct a workload-based assessment. Police staffing is also subject to the budget. In an era of limited spending, cities cannot afford to pay for more than they need. But understaffing can also lead to negative financial consequences. A recent San Jose audit found that mounting vacancies resulted in \$36 million in overtime costs last year, consuming nearly 10% of the police department's total expenses. In addition to the ups and downs of a budget, upticks in crime frequently push officials to increase police staffing. In Chicago, Mayor Rahm Emanuel initially rejected calls to hire more police but recently agreed to provide funding for nearly 1,000 additional officers in an effort to halt the city's well-publicized spike in homicides. But the problem with tying staffing to crime levels, according to the ICMA analysis, is that it essentially incentivizes poor performance. And of course politics factors into police numbers. Around election season, crime frequently surfaces as a political issue, leading some officials to beef up police staffing. Economist Steven Levitt found a significant link between elections and hiring of officers in a 1997 research paper. In the agencies that Levitt reviewed, the number of sworn officers per capita

grew by 2% on average during mayoral and gubernatorial election years and remained flat in other years. On a smaller level, states and the federal government play a role in hiring. Several agencies have been the beneficiaries of federal grants from the Justice Department's COPS Hiring Program, which funds up to 75% of new entry-level officer salaries for three years. Last fiscal year, the program awarded a total of \$119 million to 184 law enforcement agencies. The following Florida cities in no particular order show the number of officers and total law enforcement, including civilian employees, per 10,000 residents in each city.

Police Department	Officers per 10K Population	Total Police Employees per 10K population	Officer Count	Total Emp. Count
Fort Lauderdale	27.9	36.5	499	651
Miami	25.9	33.3	1,133	1,459
Delray Beach	23.3	32.2	154	213
Gainesville	22.0	26.6	285	344
Lakeland	21.4	32.1	221	332
Clearwater	21.0	29.3	234	326
St. Petersburg	20.6	28.7	528	735
Palm Beach Gardens	20.5	29.9	108	158
North Miami	19.7	25.2	122	156
Jacksonville	18.5	34.3	1,603	2,973
Boca Raton	17.9	27.5	166	256
Homestead	16.8	22.8	112	152
Coral Springs	15.6	23.0	202	298
Pembroke Pines	14.7	19.7	246	330
Palm Bay	13.7	20.5	146	218

The FBI defines officers as employees who “ordinarily carry a firearm and a badge, have full arrest powers, and are paid from governmental funds set aside specifically to pay sworn law enforcement.” Total employee figures include civilian positions, such as dispatchers, clerks and correctional officers. Multiple agencies serving a single jurisdiction are not reflected in per capita totals.

6. HOW PENSIONS PROVIDE RETIREMENT SECURITY: The third week of October is National Retirement Security Week according to the National Public Pension Coalition. Typically, the week is used by the private investment industry to promote their products, such as 401(k)s, that provide little in the way of actual retirement security for working families. In this piece the authors are going to look at how pensions can meet the retirement needs of working families. Defined benefit plans are designed to provide a specific level of income in retirement, after, say, 30 years of work. Thus, the adequacy of the benefit is considered upfront. In contrast, 401(k) plans are often designed based upon a certain level of contributions and there typically is no feature that automatically adjusts those contributions to deal with events over time -- like a stock market crash or an unexpected disability. That fact alone means that a worker with a pension is likely to enjoy a greater degree of retirement security than a worker who contributes 3% to a 401(k) and is unable to re-evaluate whether it will provide enough income in retirement. Auto-enrollment and auto-escalation are Wall Street’s answer to 30 years of failures -- basically, give them more money. As pensions have stronger returns

and lower fees, Wall Street's so-called solution is to be inefficient with more of your money, instead of building around a more efficient plan structure. Defined contribution plans, such as 401(k)s, are not designed to provide the same level of retirement security as defined benefit pensions. Originally, 401(k)s were not intended as replacements for pensions, but as supplements to them. The reforms to defined contribution plans in recent years are geared toward making them more like pensions. Imagine you are a public school teacher participating in a defined benefit pension plan. The employee contribution rate for your pension plan is 6% (the national median). Your employer, in this case the local school district, contributes an additional 6% toward your pension. You and your employer are contributing a combined 12% each year that is then invested and managed by professionals until you retire. Without even taking into account rate-of-return differences on pensions and 401(k)s, contributing 12% of your pay toward your retirement will mean you are better prepared for retirement than someone in a 401(k) plan, who may only contribute 3% with a small or no employer match. When you consider how much more efficient pensions are, it is easy to make the argument that one of the virtues of defined benefit pensions is that they force people to save for retirement. Other recent "solutions", such as the increased use of target date funds, are intended to help employees avoid making poor investment decisions with their 401(k)s. Unfortunately, this often comes with another layer of fees -- one for the lifetime fund manager, on top of more fees for the sub-funds. Pension funds, on the other hand, are professionally managed and

achieve higher returns than defined contribution plans -- even though, on average, 401k's had much younger participants (who could invest more aggressively) during the years that were studied. Pension plans can also typically negotiate lower management and investment fees, although that is not always the case. Defined benefit pensions are the best retirement plan for working families. Employees are automatically enrolled in the pension plan and the amount the employee contributes is predetermined. The contributions of all the employees and employers in the plan are pooled together, so no single individual bears all the market risk of their investment. These pooled funds are then managed by investment professionals, who can achieve higher returns and with lower costs. When it is time for the employee to retire, they can count on the security and reliability of their pension benefit for the rest of their life. They also do not have to decide how to spend their accumulated savings, since their pension benefit is paid out monthly in amounts determined by the pension benefit formula. In addition, it is really hard to know how long you will live. But, when there are thousands of people in a pension plan, plan managers have a really good idea how long they will live on average. This risk-pooling makes planning easier, and it is a key concept that explains why insurance makes sense (it also explains why pension plans rely so heavily on actuaries). Defined contribution plans, such as 401(k)s, will never be able to provide the same level of retirement security as defined benefit pensions because they are not pensions. A worker retiring today who saved \$100,000 will only be able to get income of about \$400 a month from their savings -- or \$4,800 a year with no

cost of living adjustment. Very few workers, aside from wealthy corporate executives, will be able to save enough to have a secure retirement with the inefficiencies of 401(k) plans. If we are going to truly honor the spirit of National Retirement Security Week, then cities and states must commit to maintaining pensions for their public employees and they must consider ways to expand access to pensions for working families.

7. BEST PRACTICES IN LOCAL GOVERNMENT BUDGETING: A government's budget reflects its vision, strategy, and priorities. And, the process used to create and communicate the budget reflects how government leaders operate. *Governing* has issued a new executive brief "*Best Practices in Local Government Budgeting.*" Effective budget processes are inclusive, transparent, and efficient. They build trust through involvement and buy-in from citizens, department leaders, and elected officials. When done right, key budget processes and information are communicated simply, clearly, and frequently, which results in greater transparency and trust. Based on insights from experts around the country, the brief provides important insights on budgeting practices in local governments. It identifies common challenges in the budget process and highlights effective budget processes, best practices, and lessons learned. Budgets are local governments' most important documents. Budgets matter. They signal a municipality's policies and civic priorities. The budget is where the rubber meets the road; it shows how a community will spend and invest. A budget reflects what matters most to a community; changes

in a budget from one year to the next show the direction in which a community wants to head. Municipalities are developing budget best practices to overcome these challenges. Budget and finance directors shared the practices they have adopted to improve their budgeting efficiency, effectiveness, buy-in, department ownership, and public involvement. These best practices include:

- **Have a clear, well-defined budget process.** Each of the budget and finance directors could clearly describe all of the key steps of their government's budget process, on an annual and month-by-month basis. They have a timeline with all key steps, know what has to happen at each step, when the step must occur, how long the step must take, and who should be involved.
- **Start with a vision, goals, and a strategic plan.** The budget supports what a city or county wants to accomplish. For this reason, the first step in a good budget process is articulation of a clear vision by administrators and elected leaders.
- **Choose 1 to 2 challenges to focus on for the budget year.** Tackling everything at once does not work and leads to staff burnout. Pick a challenge, and come up with a strategy to address it, execute, and report the results back to the community.
- **Get buy-in from all departments.** In creating a budget, it is important for all departments to understand the vision and goals

of the budget, and how they fit into the budget process.

- **Invite citizen input.** Budgets are more credible and receive more widespread support when citizens understand them and know that they have a voice in them.
- **Communicate the budget broadly, simply, and clearly.** Once the budget has been developed, the key is to communicate it to all key stakeholders, including elected officials, departments, staff, and citizens.

For municipal leaders to successfully implement their plans they must have the support, buy-in, and most importantly, trust, of all key constituents. To view the entire executive brief:

https://afd34ee8b0806295b5a7-9fbee7de8d51db511b5de86d75069107.ssl.cf1.rackcdn.com/Best-Practices-Local-Government-Budgeting_whitepaper.pdf. (October, 2016).

8. THE U.S. SHOULD HAVE A “PENSION REGISTRY”: In a blog from marketwatch.com, Alicia H. Munnell says American workers are extremely mobile, and when they leave their jobs many may not know that they are entitled to vested benefits in a defined benefit plan and others do not specify what should be done with the savings in their 401(k) plan. Balances can be forgotten or lost. To avoid these types of problems, many other countries, such as The Netherlands, Australia, and Denmark, provide consolidated online information for

participants on all their workforce retirement accounts, and Belgium began doing the same in 2016. These pension registries, which include information on both active and inactive accounts, are helpful not only to participants, but also to plan administrators who use them to locate missing participants and eliminate outstanding liabilities. The United States does not have a pension registry. Interestingly, the Social Security Administration already compiles data on undistributed vested pension benefits for employees who have left a job, using information it receives from the Internal Revenue Service and the Department of Labor. This “Potential Private Retirement Benefits Information,” with data on both defined benefit and defined contribution plans for over 33 million people, includes the name of the plan where a participant may have savings, the plan administrator’s name and address, the participant’s savings balance, and the year that the plan reported savings left behind. SSA sends this information when an individual files for Social Security benefits. The information can be requested earlier, but SSA received only about 760 requests in 2013. SSA apparently does not promote the availability of the information; nor does the agency consolidate information on accounts from several employers to provide beneficiaries with a single statement. In a 2015 report, the Government Accountability Office recommended that SSA make information on potential vested benefits from prior jobs more accessible to individuals before retirement, perhaps sending consolidated information with the Social Security Statement when it is issued every five years. SSA disagreed with the recommendation, because of concern that it would place the agency

in the position of having to answer legal questions about private plans, a task for which SSA lacks the expertise. Munnell is very sympathetic with SSA's reluctance to take on any more administrative duties, given the sharp cuts to its budget in recent years. At the same time, it seems crazy to have this information available in one place, not advertise it, and only make it available to people when they claim their benefits and then not in a consolidated form. When Munnell claimed her benefits she said she did not remember ever receiving such a form and if she did get one, she would have thrown it out not knowing what it was. The stalemate in Congress has made it impossible to accomplish even the simplest tasks. The United States should have a pension registry and we are in striking distance of establishing one. All we need is a little leadership and a little funding.

9. DIVORCE IS DESTROYING RETIREMENT: Divorce in the U.S. surged in the 1970s and 1980s as the baby boomers reached adulthood according to onwallstreet.com. As they enter retirement, they are still splitting up, and it is having a disproportionate effect on women. Even as divorce rates for younger Americans have fallen, failed marriages among people over 50 doubled from 1990 to 2010, according to Bowling Green State University's National Center for Family & Marriage Research. As a result, the overall risk for getting divorced in the U.S. has remained constant: about half of all marriages will collapse. It turns out that this may be part of the reason why about one in five Americans over 65 is working -- twice as many in the early 1980s and the most since the creation of Medicare. Unlike

divorces earlier in life, later breakups have a huge impact on individual finances, often forcing people to delay retirement. New research suggests this increased monetary stress also plays an outsized role in pushing older women back into the workforce.

According to a study by economists Claudia Olivetti of Boston College and Dana Rotz of Mathematica Policy Research, the later a woman divorces, the more likely she is to be working full time late in life. Using survey data on almost 56,000 women, they found that -- compared with women who divorced before age 30 -- women who divorced in their 50s were about 10% more likely to be working full time from ages 50 to 74. Women born in the early 1950s are 19% more likely to be working full time over age 50 compared with women born in the 1920s, controlling for such factors as race and education. Olivetti and Rotz calculate that 11% of this difference is explained by changes in marital status. The financial price of divorce is bigger than legal fees and court costs. It also means splitting your assets in two while many costs suddenly double: two homes to maintain, two rents, two electricity bills, and so forth. When women with children divorce, they often trade away retirement assets to hold onto the family home. But financial planners warn this can be a big mistake. Even if they are able to afford the costs of maintaining the home, these women can end up way behind on their retirement savings. As a result of this dynamic, divorced people are much more likely to be poor in their 60s, 70s, and beyond. Previous research from the National Center for Family & Marriage Research shows the poverty rate is very low for married Americans over age 62 who never divorced. Just 3.4% of this

group are poor. Meanwhile, 16% of single people divorced before age 50 are poor, and 19% of single people divorced after 50 are poor. One reason for this disparity is Social Security. Married people who have never been divorced get an average of \$22,607 per year from the federal retirement program, while single people divorced after 50 qualify for an average of \$12,092. Also, women tend to end up worse off than men after a late-in-life divorce. The poverty rate for single men divorced after age 50 is 11.4%, while almost 27% of women divorced after 50 are poor. One way out of such dire economic circumstances may be remarrying. For people who get divorced after 50 and then remarry, the poverty rate is just 3.3%. Of course, second and third marriages are much less likely to last. So those who remarry risk ending up divorced all over again -- and at an older age.

10. DOES PUBLIC PENSION FUNDING AFFECT WHERE PEOPLE MOVE?: In prior briefs, the Center for Retirement Research at Boston College has focused on the impact of pensions on state and local finances, including their influence on total budgets, borrowing costs, and the fiscal health of troubled jurisdictions. In the Overall, this research found that pensions play only a modest role. In the Center for Retirement Research's latest brief "Does Public Pension Funding Affect Where People Move?" However, one other way that pensions may impact public finances is through where individuals choose to live. Past research has found that individuals are more likely to move to places with the best "bundle" of amenities and opportunities. Influential factors may include house prices and jobs, as well as

government finances, such as taxes and debt. More recently, unfunded pension liabilities have raised concerns about jurisdictions' ability to manage their finances, as an increasing portion of today's taxes must be used to cover past shortfalls and future taxes may end up being higher as well. This brief explores the role that unfunded pension liabilities play in migration from state to state. Policymakers care about migration, because it is linked to economic consequences. For example, when many people leave a state, the loss of income tax revenue and consumer spending can hurt the state's economy. Therefore, understanding the underlying forces that contribute to migration patterns is important. The discussion proceeds as follows. The first section describes broad migration patterns. The second section summarizes the data used for the analysis. The third section explains the methodology for analyzing how state differences in unfunded pension liabilities relate to interstate migration patterns. The fourth section presents the findings. The final section concludes that while economic factors and the distance between locations are the primary drivers of migration, a state's pension funding also plays a role, albeit small. To read the entire research brief:

http://crr.bc.edu/wp-content/uploads/2016/10/slp_52.pdf. State and Local Pension Plans Number 52, October 2016.

11. HEDGE FUND EMPLOYEES EXPECT DROP IN BONUSES: The average total compensation for all hedge fund investment personnel is expected to drop 8.7% to \$522,000 compared to 2015, the results of an online survey of more than 500 hedge fund investment managers

conducted in September as reported by pionline.com. Bonuses, on average, will be down 13.6% to \$349,000 and base salaries will average up 3% to \$173,000. The most senior employee level -- portfolio managers -- expect their 2016 total compensation to fall a whopping 34.4% on average to \$704,000, with a bonus decline of 44.4% and a 5.6% increase in base pay, from 2015. Survey respondents at the level of senior analyst or portfolio manager with seven or more years of experience said they expect an average decline in total compensation of 13.5%, with their 2016 bonus down 19.7% to \$473,000 and their base salary down 4.4% to \$212,000. Junior analysts are much more upbeat about their compensation packages. Those young analysts with experience of three years or less expect total compensation to rise 9.9% to \$321,000 this year. Their average bonus expectation is an 11.6% jump to \$183,000 and an increase in base salary of 7.8% to \$138,000. The survey also found that at all seniority levels, hedge fund employees' bonus expectations are closely tied to their firm's ability throughout 2016 to bring in new net inflows. There was a 37% difference between the average expected bonus of \$394,000 for employees working for a firm that experienced inflows this year and the \$288,000 average expected by investment managers at firms that had outflows. Hedge fund staffers who work at firms with flat assets expect a bonus on average of \$341,000 in 2016.

12. 5 WAYS TO GET YOUR STUDENT LOANS FORGIVEN: In certain situations, you can eliminate some or all of your student loans

through a student loan forgiveness program. Depending on your degree and your current occupation, you may qualify for one of many student loan forgiveness programs. If you are wondering whether you can have your student loans forgiven through your job, ask someone in your human resources department. Here are ways to get your student loans forgiven.

- Certain volunteer organizations offer student loan forgiveness in exchange for a certain amount of your time. If you volunteer for AmeriCorps, Peace Corps, or Volunteers in Service to America (VISTA) you can have up to 70% of your student loans forgiven.
- **Become a Full-Time Teacher.** If you have a Perkins loan, you can have part of it forgiven by working full-time in an elementary, middle, or junior high school that serves children from low-income families. The more years you teach, the more you can have forgiven. Your local school board will have additional information about which schools in your district offer student loan forgiveness under the National Defense Education Act.
- **Join the Military.** One of the benefits of joining the military is student loan repayment. Currently, the Army, Army National Guard, Air Force, Air Force National Guard, and the Navy offer student loan repayment programs up to \$20,000 depending on the branch. Unfortunately, the Marine Corps, Coast Guard, and Air Force Reserves do not offer student loan forgiveness.

- **Become a Doctor or Lawyer.** Medical and legal professionals can end up with six-figure student loan debt. Fortunately for these Ph.D holders, there are several student loan forgiveness programs that can reduce their student loan burden. The National Institutes of Health forgives some student loan debt for medical students who complete certain types of medical research including clinical, medical disparities, and contraception research. Certain health professionals can receive up to \$50,000 of student loans forgiven through the National Health Service Corps Loan Repayment Program in exchange for two years of volunteer service at a clinic that has a shortage of health professionals. Law school graduates may have some of their student loans forgiven by doing some non-profit work. Equal Justice Works has a list of law schools that have a loan repayment assistance program.
- **Wait 25 Years or (20 Years for New Loans).** If you have a federal loan and you are on an income-based repayment plan, you can have the balance of your student loan forgiven after 25 years, or 10 years if you work in public service. All Federal student loans are eligible except, student loans in default, Parent PLUS loans, and Parent PLUS consolidation loans. Your monthly student loan payments are capped based on your income and family size. For example, a family of 3 with an annual income of \$45,000 would only pay \$157 a month on an IBR plan. You can apply for IBR by contacting the lender

servicing your loan. Loans taken out after July 22, 2014 on the IBR plan will be forgiven after 20 years instead of 25 years.

Many people, especially those who have worked hard to repay their loans, oppose student loan forgiveness (at least Federal loans) because it is funded by taxpayers. If the Federal government forgives your student loans, it means taxpayers have paid for your college education. In that sense, it is the same as using government grants to fund your education. Private student loan forgiveness is pretty much nonexistent, but if lenders offered these types of programs, the banks' other customers would end up funding them through fees and interest. In certain situations, you are required to report forgiven loans as taxable income. This may increase your tax liability that year and could result in a tax bill when you file in April. Not all student loan forgiveness programs require you to pay taxes on the forgiven debt. Consult your tax preparer for more information.

13. FUN WITH WORDS: A dentist and a manicurist married. They fought tooth and nail.

14. PARAPROSDOKIAN: If tomatoes are technically a fruit, is ketchup a smoothie?

15. TODAY IN HISTORY: In 1810, U.S. annexes West Florida from Spain.

16. 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.

17. 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>.

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