



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

**1. DB PLAN EQUITY EXPOSURES:** *Pensions and Investments* reports that equity allocations among the largest defined benefit plans averaged 56.9% as of Sept. 30, up from 55.2% in 2015 a year earlier and inline with Sept. 30, 2014 allocations. Looking at equity allocations in periods prior to years when equities decline in at least

two consecutive quarters, DB plans have less exposure than they did in 2008 and 2011. While the S&P 500 index is up about 4.7% year-to-date, there are concerns that last week's selloff is the beginning of the end for the market's post-election rally amid speculation that the administration's plans for growth and deregulation may face a tougher road than anticipated.

## **2. SHOULD THE U.S. RAISE THE AGE FOR REQUIRED IRA**

**DISTRIBUTIONS?:** According to [www.benefitsnews.com](http://www.benefitsnews.com), some experts are floating the idea to change the age at which retirees should start taking required minimum distributions from their tax-deferred accounts, according to an article on MarketWatch. These experts say that people are living longer past the age of 70, and they should not be forced to make unnecessary taxable withdrawals. However, other analysts want to stick to the existing rules. Two experts, an IRA specialist and an investment officer, weigh in on the proposal. [A tax penalty for IRA withdrawals can sneak up.](#) Retirees who turned 70 1/2 last year should make sure that they take the first required minimum distribution from their IRA before April 1, according to an article in the New York *Times*. The tax penalty for missing the deadline is 50% of the total RMD amount, and they will have to take another RMD for 2017 before the end of the year, which could push them to a higher tax bracket. The IRS may waive the penalty for older retirees who failed to take their annual RMD by Dec. 31, if they file Form 5329 and present a valid reason for missing the deadline. [What is the maximum Social Security tax in 2017?](#) The amount of annual

income subject to 12.4% Social Security tax has increased to \$127,000 this year. This means that workers whose income exceeds this amount will owe additional taxes. For example, a worker with \$130,000 in income this year will face \$539.40 in extra payroll taxes. However, private employees get to pay just half of their Social Security taxes, as their employer is required to cover 50% of their taxes. [When it is finally time to retire but you cannot spend your savings](#), transition to retirement can be challenging for many people as they find it hard to shift from saving to spending the money in their nest egg. To better enjoy their savings, retirees should focus less on spending and more on the things that will make them enjoy their post-career life. For example, they should engage in activities that allow them to experience new and productive things, or they may get involved in charitable events to help other people.

**3. PENSIONERS MAY LIVE LONGER, RESEARCH FINDS:** The life expectancy of people with defined benefit pensions appears to be improving at a faster rate than that of the rest of the population, research by the Continuous Mortality Investigation (CMI) shows, according to the [www.ftadvisor.com](http://www.ftadvisor.com). According to the latest CMI Mortality Projections Model, increases in life expectancy have slowed down across the population since 2011 and continued through 2016, after a decade of marked improvement. However, the data found the mortality among pensioners who received a guaranteed income for life through a DB scheme had risen more rapidly. The overall slowdown led some to suggest that the rapid improvements in

mortality in the first decade of this century may have permanently ended. But the CMI was more cautious, saying there was significant uncertainty over whether the slowdown would continue. The CMI, which is owned by the Institute and Faculty of Actuaries but independently run, stated that it was important to understand that mortality nevertheless was likely to continue to improve. CMI 2016 has thrown more light on some very interesting trends – namely that, in recent years, the rate at which mortality is improving has been slower than in the first decade of this century.

Although it is highly likely that mortality will continue to improve, there is significant uncertainty as to whether this recent slowing in the rate of improvement will continue. The slowing raises important questions about contributing factors. Indeed analysis of pension data implies that the causes could be more complex and stratified than the pure life expectancy figures, which only consider population data in aggregate alone, would suggest. It is increasingly difficult to argue that the fall off in national mortality improvements since 2011 is simply a blip. However, the underlying picture for pension schemes is complex, and accordingly, a more-tempered view is appropriate. In particular and perhaps surprisingly less-well-off defined benefit scheme pensioners appear to have had higher recent mortality improvement than both the national population and better-off defined benefit scheme pensioners. There is a risk that changing or incomplete data on longevity meant schemes considering hedging their longevity risk could end up with poor pricing or make a decision

based on out-of-date information.

**4. TAKE 5 STEPS TOWARD YOUR FINANCIAL SECURITY:** April is National Social Security Month and a perfect time to think about your future. Social Security Administration would like to encourage you to take [Five Steps toward Your Financial Security](#) Planning for the future, which may seem intimidating to many, but SSA has broken the task down into five easy steps:

- Step 1: Get to know Social Security — You and Social Security are on a journey for life, but there is so much you may not know about the benefits and services we provide. Social Security delivers financial security to millions of children and adults before retirement; including the chronically ill, children of deceased parents, and wounded warriors.
- Step 2: Verify your earnings — Your benefits are calculated using your employment records. You can use your personal Social Security account to verify that your earnings are recorded accurately.
- Step 3: Estimate your benefits — With the Retirement Estimator, you can estimate your future retirement or disability benefits based on your actual earnings record. This can be invaluable as you plan for your future.

- Step 4: Apply for benefits — You can apply for retirement, Medicare or disability benefits online through our easy to use, convenient to navigate and secure online application.
- Step 5: Manage your benefits — Social Security puts you in control by offering convenient and secure services that fit your needs. Verify your earnings and payment information, change your address or phone number, get a benefit verification letter and even start or change direct deposit of your benefits.

A personal my Social Security account is the key to helping you plan for your financial future. If you do not have such an account then, open yours today! Take [5 Steps toward Your Financial Security](#) and get to know your Social Security and the many ways we help secure today and tomorrow for you and your family.

## **5. RETIREES IN L.A. FEEL THE STING OF UNFUNDED**

**PENSIONS:** Benjamin Franklin once said “When the well is dry, we know the worth of water.” The same could be said today for public pensions that are not fully funded, according to [www.eastbaytimes.com](http://www.eastbaytimes.com). Sooner rather than later they will dry up and it is public workers who pay the price. If you do not believe me, just ask the 200 retirees of the East San Gabriel Valley Human Services Consortium, known as LA Works, who just had their pensions slashed. There are many hands that played a part in what is

happening to the LA Works retirees: policy leaders who originally set up the risky pension structure, which eventually had no tax base and no revenue source; the four cities that did not keep up with their pension payments and later refused to pick up the tab when the consortium folded; and the California Public Employees' Retirement System (CalPERS), which never looked into the pensions' risky structure or notified retirees that their employers had fallen behind on payments. And it is CalPERS that recently voted to cut the retirees' benefits by as much 63 percent.

What has happened to LA Works retirees exemplifies the danger to all public employees and retirees when pension plans are systematically underfunded, and jurisdictions fall on hard times. A similar scenario played out last November, when CalPERS voted to cut benefits for city of Loyalton retirees. In good faith, the city is making up the difference in benefits from what CalPERS refuses to pay. State and local pensions across the U.S. are estimated to be \$5 trillion in debt. CalPERS' pension debt increased by \$170 billion since 1999. This growth in pension debt puts public employees and retirees at risk when cities run low on money. While pension debt is not new, neither is the decision to cut retirement benefits when plans can not pay up. One just needs to look at Stockton, San Bernardino and Vallejo — all forced into bankruptcy with massive pension obligations, causing retirees to lose their healthcare benefits. Looking past California, Detroit, Michigan, Central Falls, Rhode Island and Pritchard, Alabama, retirees have all taken hits to their health care and pension

benefits because pensions were not being funded properly. Failure fully to fund pension obligations as they are incurred makes retirement security impossible. All workers deserve safe and secure futures, not a swift kick in the stomach because of a dried-up pension that should have been fully funded but was not.

#### **6. FLORIDA HOUSE RESUMES PUSH TO CHANGE EMPLOYEE**

**PENSIONS:** The *Associated Press* reports that public employees could get steered away from Florida's pension plan under a bill now moving in the Florida House. The House Government Accountability Committee voted 14-8 for a measure that would place newly hired public employees in an investment 401(k)-styled plan if they fail to make a choice within six months of starting their jobs. Currently those employees are placed in a traditional pension plan. Democrats voted against the bill and complained Republicans did not set aside enough time to consider such a major change. The legislation would apply to employees hired starting in 2018. House Republicans have pushed for changes to the Florida Retirement System for several years. The Senate has refused to go along. The House measure would also prohibit future elected officials from enrolling in the pension plan.

**7. NEW OFFICE ADDRESS:** Please note that Cypen & Cypen has a new office address: Cypen & Cypen, 975 Arthur Godfrey Road, Suite 500, Miami Beach, Florida 33140. All other contact information remains the same.

**8. CRAZY STATE LAWS:** *Good Housekeeping* reminds us that there are crazy laws in every state. In the State of Iowa you cannot throw a brick onto a highway. The law seems to be written in stone. Highway brick throwing is banned unless you have written permission. It all started with snowballs, but officials thought to include stones and bricks.

**9. ZEN PROVEN TEACHINGS TO LIVE BY:** If you tell the truth, you do not have to remember anything.

**10. PONDERISMS:** Health nuts are going to feel stupid someday, lying in hospitals dying of nothing.

**11. OLD CEMETERIES & EPITAPHS:** A truly happy person is one who can enjoy the scenery on a detour and one who can enjoy browsing old cemeteries. For example, in Ribbesford, England, the cemetery of Anna Wallace reads: The children of Israel wanted bread and the Lord sent them manna. Clark Wallace wanted a wife and the devil sent him Anna.

**12. TODAY IN HISTORY:** On this day in [1986 Michael Jordan](#) set a NBA playoff record with 63 points in a game and in [1983 President Reagan](#) signed a \$165 billion bailout for Social Security.

**13. 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.

**14. 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>.

**15. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.**