



CYPEN & CYPEN
NEWSLETTER
for
February 8, 2018

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Never Forget September 11, 2001
and
Always Remember May 2, 2011

1. YEAR 2017 NCPERS PUBLIC RETIREMENT SYSTEMS STUDY:

In September to December 2017, the National Conference on Public Employee Retirement Systems (NCPERS) undertook a comprehensive study exploring retirement practices of the public sector. In partnership with Cobalt Community Research, NCPERS has collected and analyzed the most current data available on member funds' fiscal condition and steps they are taking to ensure fiscal and operational integrity. The 2017

NCPERS Public Retirement Systems Study includes responses from 164 state and local government pension funds with more than 15.5 million active and retired memberships and assets exceeding \$1.77 trillion in actuarial assets and \$1.80 trillion in market assets. The majority – 62 percent – were local pension funds, while 38 percent were state pension funds. NCPERS is the largest trade association for public sector pension funds, representing more than 500 funds throughout the United States and Canada. It is a unique, nonprofit network of public trustees, administrators, public officials and investment professionals who collectively manage \$3 trillion in pension assets. Founded in 1941, NCPERS has been the principal trade association working to promote and protect pensions by focusing on advocacy, research and education for the benefit of public sector pension stakeholders. To access the interactive 2017 NCPERS Public Retirement Systems Study dashboard, please visit: www.NCPERS.org/surveys.

Here are some 2017 Key Findings:

- The market value of fund assets now exceed the actuarial value of assets for the 2017 respondents, and the 1-year, 5-year and 20-year investment returns are near or above investment assumptions. Despite strong returns, funds continue to become more conservative in their assumptions. About 85 percent of funds in the 2017 study have either reduced their investment return assumptions already or plan to do so. In addition, the smoothing period for investment returns continues to be shortened – down from 5.7 years to 5.0 years.
- The trend of public funds remaining cost effective continues. While all responding funds report the total cost of administering their funds and paying investment managers is 55 basis points (100 basis points equals 1 percentage point), which is a 1-point increase over 2016 total cost of 54, funds that participated in both 2016 and 2017 show a drop to 52 basis points. According to the 2017 Investment Company Fact Book, the average expenses of most equity funds average 63 basis points and hybrid funds average 74 basis points. This means public funds with lower

expenses provide a higher level of benefit to members for each dollar invested (and produce a higher economic impact for the communities those members live in).

- The average investment assumption is 7.5 percent. This is the same as 2016. As noted above, about 85 percent of funds who responded in 2017 have reduced their assumption or are considering doing so. The Inflation assumption is 2.9 percent, down 0.1 from 2016, and the average smoothing period is 5.0 years, down from 5.7 years in 2016. These changes have had some effect on the funded levels, which dipped to 71.3 percent. Funds who replied in both 2016 and 2017 have an average funded level of 72.9 percent, down from 74.7 percent.
- With more conservative assumptions, employer contribution rates have risen from 18 percent of fund income in 2016 to 22 percent of fund income. In addition, plan sponsors are becoming more diligent in making required contributions. The percentage of funds receiving full contributions increased from 70 percent to 74 percent.

2. WHAT RAISING SOCIAL SECURITY'S RETIREMENT AGE REALLY MEANS:

Social Security faces a long-term financial crisis. The demographic bump of baby boomers retiring in recent years will continue to flow into the Social Security system for many years to come, and the corresponding outflow of Social Security benefits will not only use up all available payroll tax revenue, but also eat into Social Security trust fund reserves. Current projections suggest that by the mid-2030s, Social Security will have a shortfall that leaves roughly a quarter of scheduled benefits unfunded. Many lawmakers see [raising the full retirement age for Social Security benefits](#) as a potential solution to the program's financial woes. Proponents cite the rise in life expectancies and the resulting shift in demand for Social Security as reasons to modify the retirement age upward. Yet with many of the proposals to raise the retirement age, the net impact likely will not be to get people to claim Social Security later but rather simply to reduce what they receive when they do claim.

The history of Social Security's retirement age

Proposals to increase the retirement age for Social Security are not new. One need only look back at history to see how such ideas have played out in the past. Back in the early 1980s, a grand compromise between President Ronald Reagan and a Democratic-controlled Congress led to a gradual increase in the retirement age. Over the course of nearly 40 years, the retirement age went from 65 to 67, with a long break in the middle at 66. Currently, those who have turned 62 in the past year have started to see slightly older retirement ages, and the age will rise in two-month increments annually before topping out at 67. Now, lawmakers are looking at similar proposals for the future. Ages of between 68 and 70 have been suggested for a possible new law, with the same arguments about economic stability of the program supporting the moves. Yet amid most of the proposals, few actually stop to look at the actual impact on benefits that would occur.

Does a higher retirement age really affect behavior?

The way that most people discuss potential increases in the retirement age suggests that people would end up working longer. There is an idea that most people used to work until hitting 65. When the Social Security full retirement age and the age for claiming Medicare were aligned at that same 65-year-old point, there were multiple reasons why people would target 65 as a prospective retirement date. Yet still when it comes to claiming actual benefits, [few people wait that long](#), and the rise in retirement age to 66 and subsequently toward 67 has shown no signs of reversing that trend. More people claim at 62, when early Social Security benefits first become available to workers, than at any other age. That fact has not changed markedly, even with changes in the full retirement age under the program.

Higher full retirement age + no change in claiming behavior = benefit cut

When lawmakers advocate for higher retirement ages without making similar changes to the age for collecting early benefits, then net impact is simply to cut monthly benefits to retirees. The exact amount depends on the age at which you would claim, but in general, benefits go down between 5% and 10% for every year that the retirement age goes up. What happens when the full retirement age went from 65 to 66 and what will happen as it moves to 67? Similar cuts would occur under current law if retirement ages were

increased from 67 to higher levels. Proponents argue that giving early retirees the chance to get at least some benefits is better than simply eliminating the ability to claim early at all. Yet with [many people relying on Social Security](#) for the bulk of their retirement income, reducing that amount further from current levels is a recipe for financial disaster for millions of Americans.

Consider the consequences

There is no easy solution to Social Security's financial woes, and other proposals to shore up the system would also have impacts on participants and the American public as a whole. As lawmakers come up with new ideas, you will want to look at them closely to see what the true impact is likely to be. Only if you are comfortable with all the consequences does it make sense to support one proposal over another. Well written piece by Dan Caplinger.

3. HAVE YOU HEARD OF THE 4% RULE? MOST AMERICANS HAVE NOT

We all know we are supposed to save a decent chunk of money for retirement so we have the ability to live comfortably once we stop working. But how much savings is enough? One good way to know is to see how your balance looks, and figure out how much yearly income it can give you under what is known as the [4% rule](#). Established in the mid-1990s, the 4% rule has long been the standard when it comes to yearly retirement plan withdrawals. Yet a surprising number of Americans have never even heard of it. In fact, in a New York Life survey, 77% of adults 40 and up either overestimated the amount of money they could safely withdraw each year in retirement, or owned up to having no idea about the type of withdrawal rate they should aim for. And that only means one thing: Workers across the board had better not only read up on the 4% rule, but also start developing their own yearly withdrawal strategies. Otherwise, they risk not saving enough or prematurely [depleting their nest eggs](#) down the line. The 4% rule states that if you begin by withdrawing 4% of your savings during your first year of retirement, and adjust subsequent withdrawals to account for inflation, there is a good chance your savings will last for 30 years. And while that might seem like too lengthy a period to plan for, keep in mind that life expectancies today are longer than what they were in years past. Nowadays, one out of every four 65-year-olds will live past the age of 90, while one in 10 will live past 95. Since 62 is [the most popular age](#) to claim Social Security, and many workers file for

benefits and retire simultaneously, you can see why it is advisable to plan for a 30-year retirement. And that is why the 4% rule, though [not perfect](#), is a pretty good rule of thumb. While there are different annual withdrawal rates you might play around with, as opposed to locking yourself into 4% from the start and sticking with it throughout retirement, it is critical to have a sense of how much you can afford to withdraw from your nest egg each year, even if that figure is just a ballpark. Yet most Americans are not even aware that 4% should be their starting point. Another reason it is smart to apply the 4% rule to your savings is that it will help you determine whether you're in good shape for retirement, or whether you will need to start doing better. Say you are in your mid-60s and are planning to retire within the year. Also assume that at present, your retirement plan balance is \$500,000. Now that might seem like a pretty decent chunk of savings, but when we apply the 4% rule, we see that that balance allows for roughly \$20,000 a year in income. Now if you are eligible for Social Security benefits, which is likely the case, you will want to factor those into your annual income as well, but since the typical recipient today only collects between \$16,000 and \$17,000 a year, all told, that's not a ton of money to live off. Therefore, you might, in this scenario, decide to postpone retirement for two or three more years and save aggressively during that period. Here is another way to use the 4% rule. Say you are in your mid-40s with two decades of work ahead of you, and you are trying to determine how much to save before you can comfortably call it quits. If you estimate your annual living expenses in retirement at \$48,000, of which \$16,000 will presumably come from Social Security that leaves you with a \$32,000-a-year gap to fill. Using the 4% rule, you can then multiply \$32,000 by 25 to arrive at a personal savings goal of \$800,000. Of course, not only is the 4% not flawless, but it is also not exact. You may come to find that you are safer withdrawing 3% of your nest egg each year to ensure that it lasts. Or, you may decide that you are able to swing a 5% average annual withdrawal rate. The key, however, is to develop some sort of withdrawal strategy during your working years, even if it is just an estimate. It is a far better bet than going in blindly and coming up short in retirement as a result. *The Motley Fool authorized this item.*

4. CHECK OUT THESE THREE TOOLS ON IRS.GOV:

With the tax filing season kicking off today, the IRS reminds taxpayers about tools that will help answer questions. Taxpayers can access Publication 17, the Interactive Tax Assistant, and "Where's My Refund?" on IRS.gov.

- [Publication 17. Your Federal Income tax](#)

This publication covers the general rules for filing a federal income tax return. It explains the tax law to make sure someone pays only the tax they owe and no more. Using eBooks taxpayers can view Publication 17 and other frequently used tax publications on their mobile devices such as smart phones, tablets and eReaders. IRS tax products are generally available online six to eight weeks before paper products are distributed. To view and download tax products, use the 'Forms and Pubs' tab on IRS.gov.

- [Interactive Tax Assistant](#)

The ITA provides answers to several tax law questions. The ITA includes question-and-answer session for a variety of topics. Users simply respond to basic questions to find the answers they need. Topics include:

- Do I Need to File a Tax Return?
- Who Can I Claim as a Dependent?
- How Much Is My Standard Deduction?
- What Is My Filing Status?
- Am I Eligible to Claim an Education Credit?

- [Where's My Refund?](#)

Taxpayers can use this tool on IRS.gov or with the IRS2Go mobile app for a personalized refund status. Taxpayers can generally check the status of their refund 24 hours after the IRS receives their e-filed return. "Where's My Refund?" has the most up-to-date information available. It is updated no more than once a day, so taxpayers don't need to check more often. IRS Tax Tips 2018-14, January 29, 2018

**5. IRS ANNOUNCES 2018 TAX FILING SEASON OPENS WITH APRIL 17 DEADLINE;
155 MILLION TAX RETURNS PROJECTED, 70 PERCENT EXPECT REFUNDS:**

Marking the beginning of the nation's tax season, the Internal Revenue Service said today that it successfully started accepting and processing 2017 federal individual income tax returns. More than 155 million returns are expected to be filed this year. People have until Tuesday, April 17, 2018, to file their 2017 returns and pay any taxes due. The filing tax deadline is later this year due to several factors. The usual April 15 deadline falls on Sunday this year, which would normally give taxpayers until at least the following Monday. However, Emancipation Day, a Washington, D.C., holiday, is observed on Monday, April 16, giving taxpayers nationwide an additional day to file. By law, Washington holidays impact tax deadlines for everyone in the same way federal holidays do. Taxpayers requesting an extension will have until Monday, Oct. 15, 2018, to file. The IRS expects more than 70 percent of taxpayers to get tax refunds this year. Last year, nearly 112 million refunds were issued, with an average refund of \$2,895. "The IRS has a number of ways to help taxpayers this filing season, and we encourage people to look into the many options available," said Acting IRS Commissioner David Kautter. "The nation's tax professionals and software community work with the IRS and help make the tax filing process easier for Americans. Today's filing season kick-off reflects many months of hard work by the nation's tax community and IRS employees. And we also appreciate the time and attention taxpayers take as they prepare and file their taxes." The IRS expects about 90 percent of returns to be filed electronically. Choosing [e-file](#) and [direct deposit](#) remains the fastest and safest way to file an accurate income tax return and receive a refund. The [IRS Free File](#) program, available at IRS.gov, gives eligible taxpayers a dozen options for brand-name products. Free File is a partnership with commercial partners offering free brand-name software to about 100 million individuals and families with incomes of \$66,000 or less. About 70 percent of the nation's taxpayers are eligible for IRS Free File. People who earned more than \$66,000 may use Free File Fillable Forms, the electronic version of IRS paper forms.

Refunds in 2018: More than 90 Percent in Less than 21 days; EITC/ACTC Refunds Starting Feb. 27

The IRS issues more than nine out of 10 refunds in less than 21 days. However, it is possible a tax return may require additional review and take longer. "[Where's My Refund?](#)" has the most up to date information available about refunds. The tool is updated no more than once a day, so taxpayers don't need to check more often. The IRS also

notes that refunds cannot be issued before mid-February for tax returns that claim the Earned Income Tax Credit or the Additional Child Tax Credit. This applies to the entire refund — even the portion not associated with the EITC and ACTC. While the IRS will process the EITC and ACTC returns when received, these refunds cannot be issued before mid-February. The IRS expects the earliest EITC/ACTC related refunds to be available in taxpayer bank accounts or on debit cards starting on Feb. 27, 2018, if they chose direct deposit and there are no other issues with the tax return. “Where’s My Refund?” on IRS.gov and the [IRS2Go mobile app](#) remain the best way to check the status of a refund. “Where’s My Refund?” will be updated with projected deposit dates for most early EITC and ACTC refund filers Feb. 17, so those filers will not see a refund date on “Where’s My Refund?” or through their software packages until then. The IRS, tax preparers and tax software will not have additional information on refund dates, so these filers should not contact or call about refunds before the end of February. This law change gives the IRS more time to detect and prevent fraud. Even with the EITC and ACTC refunds and the additional security safeguards, the IRS still expects to issue more than nine out of 10 refunds in less than 21 days. However, it is possible a particular tax return may require additional review and take longer. Taxpayers are reminded that state tax agencies have their own refund processing timeframes that vary, and some states may make additional reviews to ensure their refunds are being issued properly. Even so, taxpayers and tax return preparers should file when they are ready. For those who usually file early in the year and are ready to file a complete and accurate return, there is no need to wait to file. Low- and moderate-income taxpayers can get help filing their tax return for free. More than 90,000 volunteers around the country can help people correctly complete their return. To get this help, taxpayers can visit one of the more than 12,000 community-based tax help sites that participate in the Volunteer Income Tax Assistance and Tax Counseling for the Elderly programs. To find the nearest site, use the [VITA/TCE Site Locator](#) on IRS.gov or the IRS2Go mobile app. No matter who prepares a federal tax return, by signing the return, the taxpayer becomes legally responsible for the accuracy of all information included. IRS.gov offers a number of [tips about selecting a preparer](#) and information about [national tax professional groups](#). The IRS urges all taxpayers to make sure they have all their year-end statements in hand before filing. This includes Forms W-2 from employers and Forms 1099 from banks and other payers. Doing so will help avoid refund delays and the need to file an amended return. The IRS reminds taxpayers they

have a variety of options to get help filing and preparing their tax return on IRS.gov, the official IRS website. Taxpayers can find answers to their tax questions and resolve tax issues online. The [Let Us Help You](#) page helps answer most tax questions, and the [IRS Services Guide](#) links to these and other IRS services. Taxpayers can go to [IRS.gov/account](#) to securely access information about their federal tax account. They can view the amount they owe, pay online or set up an online payment agreement; access their tax records online; review the past 18 months of payment history; and view key tax return information for the current year as filed. Visit [IRS.gov/secureaccess](#) to review the required identity authentication process. The IRS urges taxpayers to take advantage of the many tools and other resources available on IRS.gov. IRS phone lines will be busy again this year, so to save time, people should first visit the IRS website for tax assistance. The IRS continues to work with state tax authorities and the tax industry to address tax-related identity theft and refund fraud. As part of the [Security Summit](#) effort, stronger protections for taxpayers and the nation's tax system are in effect for the 2018 tax filing season. The new measures attack tax-related identity theft from multiple sides. Many changes will be invisible to taxpayers but will help the IRS, states and the tax industry provide new protections. New security requirements will better protect tax software accounts and personal information. Many Individual Taxpayer Identification Numbers (ITINs) expired on Dec. 31, 2017. This includes any ITIN not used on a tax return at least once in the past three years. Also, any ITIN with middle digits of 70, 71, 72 or 80 (Example: 9NN-70-NNNN or 9NN-80-NNNN) is now expired. ITINs that have middle digits 78 or 79 expired Dec. 31, 2016, but taxpayers can still renew them. Affected taxpayers should act soon to avoid refund delays and possible loss of eligibility for some key tax benefits until the ITIN is renewed. An ITIN is used by anyone who has tax-filing or payment obligations under U.S. tax law but is not eligible for a Social Security number. It can take up to 11 weeks to process a complete and accurate ITIN renewal application. For that reason, the IRS urges anyone with an expired ITIN needing to file a tax return this tax season to submit their ITIN renewal application soon. All taxpayers should keep a copy of their tax return. Some taxpayers using a tax filing software product for the first time may need their Adjusted Gross Income (AGI) amount from their prior-year tax return to verify their identity. Taxpayers using the same tax software they used last year will not need to enter their prior year information to electronically sign their 2017 tax return. Taxpayers can learn more about how to verify their identity and electronically sign tax returns at

6. FOUR QUESTIONS TO ASK YOURSELF AS YOU PLAN FOR RETIREMENT:

Posted on [January 25, 2018](#) by [Jim Borland, Acting Deputy Commissioner for Communications](#)

Deciding [when to start](#) receiving your retirement benefits from Social Security is a decision that only you can make, and you should make that decision with as much information as possible. There are a lot of important questions to answer. Should you claim benefits earlier and get a smaller monthly payment for more years? Or should you wait and get a bigger monthly amount over a shorter period? There are no right or wrong answers, but we encourage you to consider these four important questions as you plan for your financially secure retirement:

How much money will I need to live comfortably in retirement?

Anticipate what your expenses will be in retirement, including things like mortgage payments or rent, utilities, healthcare insurance and related costs, food, personal care, car payments and maintenance, entertainment, hobbies, travel, and credit card or other debt. Also, consider whether you'll need to provide for your spouse, children, or grandchildren.

What will my monthly Social Security retirement benefit be?

The average monthly Social Security benefit for a retired worker in 2018 is \$1,404 (up from \$1,377 in 2017). The average monthly Social Security benefit for a disabled worker in 2018 is \$1,197 (up from \$1,173 in 2017). As a reminder, eligibility for retirement benefits still requires 40 credits (usually about 10 years of work). The Social Security Act details how the annual Cost of Living Adjustment (COLA) is calculated. You can read more about the COLA on [our website](#). The best way to get an estimate of your retirement benefit is with a [my Social Security](#) account. Get yours today.

Will I have other income to supplement my Social Security benefits?

Secure your financial future with a retirement portfolio that includes savings, investments, and possibly a pension plan. If you're willing and able, you may choose to increase your income by working past retirement age. Social Security replaces a percentage of a

worker's pre-retirement income based on your lifetime earnings. The amount of your average wages that Social Security retirement benefits replaces varies depending on your earnings and when you choose to start benefits. If you start benefits at age 67, this percentage ranges from as much as 75 percent for very low earners, to about 40 percent for medium earners, to about 27 percent for high earners. If you start benefits after age 67, these percentages would be higher. If you start benefits earlier, these percentages would be lower. Most financial advisers say you will need about 70 percent of pre-retirement income to live comfortably in retirement, including your Social Security benefits, investments, and other savings.

How long do I expect my retirement to last?

Anticipate the length of your retirement, keeping in mind that many American workers will live much longer than the "average" retiree. Consider your health, family longevity, and lifestyle. Your Social Security retirement benefits will provide continuous income for as long as you live, protecting you even if your other sources of income run out. Discover your life expectancy with our [online calculator](#). No one can predict the future perfectly, but careful planning and preparation will help you to make a well-informed decision about when to start receiving your Social Security benefits. If you've contributed enough to the Social Security system through [FICA](#) payroll taxes, you can receive your full retirement benefit at age 66 or 67 depending on when you were born. You may also claim it sooner, starting at age 62, at a permanently reduced rate. Or you may wait until after your full retirement age, increasing your benefit amount by up to 8 percent per full year to age 70. Social Security is with you through life's journey, and we're here to help you prepare for a financially secure future for you and your family.

7. MUNICIPAL POLICE OFFICER'S & FIREFIGHTERS' RETIREMENT TRUST FUNDS ADVISES ON ANNUAL REPORT SUBMISSIONS:

By letter of transmittal dated January 31, 2018, Keith Brinkman, Bureau Chief, Municipal Police Officers' & Firefighters' Retirement Trust Funds, informs that 2017 online annual report submission portal for participating chapter 175/185 police officer and firefighter pension funds are active and available for use. The designated contact person for a plan can access the reporting portal at <https://www.rol.frs.state.fl.us> to begin the report filing process. Previously, plans have received notification of the process to designate or update

the contact persons' log in credentials required to complete and submit annual report by plan. If a plan has not completed this step, it should provide the information by email.

8. 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.

9. CLEVER WORDS:

Eclipse: What an English barber does for a living.

10. INSPIRATIONAL QUOTE:

You miss 100% of the shots you do not take. –Wayne Gretzky

11. LEXOPHILES:

Time flies like an arrow; fruit flies like a banana.

12. TODAY IN HISTORY:

On this day in 1936, NFL Draft (first ever): Jay Berwanger from University of Chicago number 1 pick by Philadelphia Eagles.

13. THINK YOU KNOW EVERYTHING?:

The average person's left hand does 56% of the typing.

14. WEIRD RULES AND ODD LAWS TO WATCH OUT FOR IN FLORIDA:

If you are in the habit of transporting large quantities of plates and bowls, you better be on your game all the time, because it is illegal to break more than three dishes in a given day.

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