



CYPEN & CYPEN

NEWSLETTER

for

May 10, 2018

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

1. DEFINED BENEFIT PLANS ARE SHOWING NEW SIGNS OF LIFE:

Advisers and plan sponsors that have written off the defined benefit plan as a relic of the past may want to reconsider. While the number of participants in DB plans has declined somewhat in recent years, the number of DB plans has been rising. Specifically, the number of single-employer DB plans with fewer than 100 participants rose for the third consecutive year in 2015, up 2% from 2012, according to recently published data from the

Department of Labor's Employee Benefits Security Administration (EBSA). The growth rate was more robust among plans with at least 100 participants, rising by 4% with four consecutive years of growth. Total participant head count for single employer DB plans stood at around 270,000 in 2015, per the EBSA data. Although defined contribution plans have also been growing over the same period, and their total numbers dwarf the DB market, the number of DC plans has not been growing any more rapidly. One reason, says John Lowell, a partner with the October Three actuarial consulting firm, is that the rate of DB plan termination has slowed. "A lot of the larger plans have been doing risk transfers to insurance companies," he explains. By shifting funding liability to carriers, sponsors have not felt the urgency to pull the plug on those plans. With fewer terminations statistically to offset the creation of new DB plans, the result is net growth for the category. Another factor that comes into play, Lowell says, is increased regulatory relief for stressed DB sponsors. This too has eased any pressure to terminate those plans. Yet another contributor to the uptick in DB plan sponsorship is a delayed effect of the Pension Protection Act (PPA) enacted a dozen years ago. Cash balance plans, a DB hybrid design, were allowed to credit participants' notional accounts based on investment returns actually achieved by the underlying pension portfolio. That change removed an element of risk for cash balance plan sponsors, says Lowell. Contribution limits for conventional DB plans are based on the dollars required to fund the highest allowable pension benefit at retirement. That means, for example, that a 50-year-old who could afford it might be able to put \$147,000 aside in a DB plan in one year. Even a 40-year-old could set aside approximately \$88,000, by Lowell's calculations. When employers have both a DB and a DC plan, the opportunities for owners and executives to set aside tax-deferred funds are even greater. And as long as contributions of 7.5% of compensation are made on behalf of lower paid employees, "you do not need to worry about ERISA anti-discrimination tests," Lowell says. Independent pension consultant Robert C. Lawton reports that small profitable companies with small ownership groups often turn to DB plans as a source of tax deductions, as much as a vehicle for retirement funding. This often occurs after they have already contributed the maximum allowable amounts to a DC plan. Medical practices and law firms, for example, are often good candidates for a DB plan. One knock on DB plans is that they are more expensive to set up and administer than 401(k) plans. For that reason, Lawton only encourages companies whose key executives plan to stay together for a relatively long period of time to consider a DB. Some DB plan sponsors incur greater

costs than they need to. Specifically, Pension Benefit Guaranty Corp. (PBGC) premiums-- often the highest administrative cost of a DB plan—can avoid being required to pay variable risk-based premiums and pay lower fixed PBGC premiums instead. A study by October Three outlined a number of “best practices” DB plan sponsors can adopt to reduce their PBGC premium and tax burdens. “The PBGC premium burden remains a major threat to effective pension management,” the report states. Other tactics, such as making funding contributions by September 15, 2018 to generate tax savings that “can be worth almost four times as much as the premium savings themselves,” are also outlined in the report. Headcount reduction and “split plan” strategies can also contribute substantial savings, the report states. Knowledge of such techniques, disseminated by advisers, could further contribute to the growth of DB plans. This piece comes from *Employee Benefits News*.

2. TREASURY DEPARTMENT/IRS REQUEST FOR COMMENTS ON SCOPE OF DETERMINATION LETTER PROGRAM FOR INDIVIDUALLY DESIGNED PLANS DURING CALENDAR YEAR 2019:

This notice requests comments on the potential expansion of the scope of the determination letter program for individually designed plans during the 2019 calendar year, beyond provision of determination letters for initial qualification and qualification upon plan termination. In reviewing comments submitted in response to this notice, the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) will consider the factors regarding the scope of the determination letter program set forth in section 4.03(3) of Revenue Procedure 2016-37, 2016-29 I.R.B. 136. The Treasury Department and the IRS will issue guidance if they identify any additional types of plans for which plan sponsors may request determination letters during the 2019 calendar year. Revenue Procedure 2016-37 sets forth procedures for issuing determination letters and describes an extension of the remedial amendment period for individually designed plans. Effective January 1, 2017, the sponsor of an individually designed plan may submit a determination letter application only for initial plan qualification, for qualification upon plan termination, and in certain other limited circumstances identified in subsequent published guidance. Section 4.03(3) of Rev. Proc. 2016-37 provides that the Treasury Department and the IRS will consider each year whether to accept determination letter applications for individually designed plans in specified circumstances other than for initial qualification

and qualification upon plan termination. Comments are requested on specific types of plans for which the Treasury Department and the IRS should consider accepting determination letter applications during calendar year 2019 in circumstances other than for initial qualification and qualification upon plan termination. As provided in section 4.03(3) of Rev. Proc. 2016-37, circumstances for consideration include, for example, significant law changes, new approaches to plan design, and the inability of certain types of plans to convert to pre-approved plan documents. Comments that suggest expanding the scope of the program for a particular type of plan should not merely state the type of plan, but should also specify the issues applicable to that type of plan that would justify review of that particular plan type under the determination letter program. Such issues may include specific plan features and special plan designs applicable to that type of plan, or unresolved questions of qualification in form with respect to that type of plan. Comments may be submitted in writing on or before June 4, 2018. Comments should be mailed to Internal Revenue Service, CC:PA:LPD:PR (Notice 2018-24), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington, D.C. 20044, or sent electronically to notice.comments@irsounsel.treas.gov. Please include "Notice 2018-24" in the subject line of any electronic communications. Alternatively, comments may be hand delivered Monday through Friday between the hours of 8:00 a.m. and 4:00 p.m. to CC:PA:LPD:PR (Notice 2018-24), Courier's Desk, Internal Revenue Service, 1111 Constitution Ave., NW, Washington, D.C. All comments will be available for public inspection and copying. The principal author of this notice is Angelique Carrington of the Office of Associate Chief Counsel (Tax Exempt and Government Entities). For further information regarding this notice, contact Ms. Carrington at 202.317.4148 (not a toll-free number). Notice 2018-24

3. PENSION REFORM HURTS PUBLIC SECTOR COMPETITIVENESS:

Michael Katz writes about a new report exploring the effects of pension reform on state and local government competitiveness in the labor market that has found that pension benefit cuts have hurt governments' ability to attract new employees. "It is well known that pensions are a significant component of public sector compensation," said the report, which was published by the Center for State and Local Government Excellence, a non-partisan, non-profit organization. "Hence, without offsetting wage increases, recent pension cuts may make public sector employers less competitive in the labor market." After the stock market crash of 2008 decimated the funded status of pension plans, many

state and local governments enacted pension reform that reduced the benefits for new and current workers. The report tracked the number of benefit cuts made by the largest 160 pension plans on the Public Plans Data Website between 2005 and 2014, which are the plans and years for which data on benefit cuts were available. “Cuts were relatively uncommon before the stock market crash of 2008,” said the report, “but quickly became more prevalent as plan sponsors realized the extent of the deterioration in their funded ratio.” According to the report, common changes included increasing the normal retirement age, reducing the monthly benefit that workers will receive when they retire, requiring employees to contribute more to the pension fund and reducing post-retirement cost-of-living adjustments. It also found that most of the cuts applied only to new hires because many states consider future accruals of pension benefits for current workers to be contractual obligations that cannot legally be reduced. The cuts aimed at newly hired workers typically increased the normal retirement age and reduced the final-average-salary and benefit multiplier. And because cutting benefits for current employees is more difficult, both legally and politically speaking, cuts for this group generally entailed lower cost-of-living adjustments, and requiring higher employee contributions. The report also noted that another change made by some pension plans was to add a defined contribution (DC) component to the traditional defined benefit plan. “Unlike the other reductions, it is unclear whether these new hybrid plans qualify as benefit reductions since workers—particularly the young and mobile—might prefer portable savings accounts to traditional pensions,” said the report. “Still, because plans often reduce defined benefit multipliers when adding a DC component, they may be viewed as cuts in many cases.” Overall, the report found that the research results imply that the public sector had trouble hiring and retaining the same type of workers it used to after a benefit cut “While future research should continue to explore the effect of pension cuts,” said the report, “states and localities should at least consider how benefit cuts might affect worker recruitment and retention.”

4. WHY MORE THAN A MILLION TEACHERS CANNOT USE SOCIAL SECURITY:

National Public Radio says teachers have staged protests in West Virginia, Oklahoma, Kentucky, Colorado and Arizona. Some are fighting lawmakers who want to scale back their pensions. It is no secret that many states have badly underfunded their teacher pension plans for decades and now find themselves drowning in debt. But this pensions fight is also complicated by one little-known fact: more than a million teachers do not have

Social Security to fall back on. To understand why, we need to go back to August 14, 1935, when President Franklin Delano Roosevelt signed the original Social Security Act. "This Social Security measure gives at least some protection to at least 50 million of our citizens." But of those 50 million citizens, one big group was left out: state and local workers. That was because of constitutional concerns over whether the federal government could tax state and local governments. So, in the 1950s, there were amendments added to the Social Security Act that allowed governments to enroll their workers. And many did, leading the Social Security Administration to trumpet in one 1952 promotional film that most American families are now able to ensure for themselves an income that is guaranteed for life. Most American families, except for a lot of teachers, says Chad Aldeman, editor of TeacherPensions.org. "Fifteen states do not offer all of their teachers Social Security coverage, and that means about 40 percent of the workforce is not covered." Forty percent of all teachers. That is more than a million educators in Alaska, California, Colorado, Connecticut, Georgia, Illinois, Kentucky, Louisiana, Maine, Massachusetts, Missouri, Nevada, Ohio, Rhode Island and Texas. Now, these teachers are not benefit-less. The law requires that states that opt out of Social Security give teachers a pension that is at least as generous. "On the whole, teachers who do not get Social Security are not necessarily disadvantaged if they work a full career and get a full pension," says Andrew Biggs, who studies retirement issues at the American Enterprise Institute. But there are still risks, Biggs says. For one, many teachers do not spend a full career in the classroom, and some states' pension plans take a decade before teachers see any real benefit. "You know, in theory, you could work for 10 years as a schoolteacher, come out with very little on the pension end, but also not have earned any credits toward getting any Social Security benefits," Biggs says. In other words: 10 years of work with little retirement savings to show for it. There is another big risk for teachers who do not get Social Security — even the ones who spend a lifetime in the classroom. Many states that long ago opted out of Social Security have also underfunded their pension plans, badly. "We're kind of worried now," says Alicia Munnell of Boston College. "In some places, they are actually going to run out of money." Pension experts say this is a real conundrum in many places right now: how to fund pension systems that have been starved for decades, without giving teachers a retirement plan that is not as secure as Social Security. There, Republican Gov. Matt Bevin has warned, "If we do not change anything, the system will fail, and most of the people now teaching will never see one cent

of a retirement plan."

5. COUNTY SUES PENSION BOARD FOR REFUSING TO IMPLEMENT REDUCED BENEFITS FOR NEW EMPLOYEES:

- San Diego County sued its retirement system over its refusal to implement a plan to lower pension benefits for most new employees.
- The county said it has the authority to approve the changes, but pension officials say the plan requires legislative approval.
- The lower tier of retirement benefits was created early this year to reduce future pension liabilities.

Jeff McDonald reports that San Diego County supervisors are going to court to fight for their plan to reduce retirement benefits for most new workers they will hire after July 1, 2018. The county filed a lawsuit against the San Diego County Employees' Retirement Association, the independent retirement system, which has refused to implement the lower tier of benefits for future members. The five-page legal complaint asks a Superior Court judge to force the pension board to approve Tier D, the latest level of retirement benefits approved by the Board of Supervisors early this year. "Despite the fact that the Legislature authorized counties to use the formula, SDCERA has refused to implement Tier D," the lawsuit states. "SDCERA wrongly contends that the 2006 legislation approving the use of Tier D is somehow inapplicable." Under Tier D, non-safety employees upon retirement would receive a pension amounting to 1.62 percent of their final annual salary for every year of county employment. That is a decline from Tier C, which pays 2.3 percent per year. The change also lowered the amounts the county and affected workers would be required to contribute to the retirement fund from 8.27 percent to 6.02 percent. Members of the county Board of Supervisors, who approved 50 percent pension increases for themselves and others in 2002, created the lower tier to help reduce a multibillion-dollar gap between the \$12.5 billion retirement fund balance and its long term liabilities. Their own pensions would be unaffected. Pension officials said the county did not follow the law when creating the lower tier. PEPRA, or the Public Employees' Pension Reform Act of 2013, is at the heart of the legal dispute between the county and its retirement system. In a hand-delivered letter to board Chairwoman Kristin Gaspar last month, pension chief David Wescoe said the retirement system will place new employees into the

Tier C schedule until state lawmakers approve the arrangement — or they are ordered to do so by a judge. “The Board of Retirement thoroughly discussed and carefully considered the matter and obtained the advice of four experienced fiduciary and legal counsel,” Wescoe told Gaspar. “The board concluded that its course of action was mandated by PEPRA’s plain language.” County supervisors say the reform act and previously existing law allow them to change the terms of defined benefit retirement plans as they see fit, so long as the pension board finds “no greater risk and no greater cost” to the portfolio they manage. The retirement board made just such a finding in December, but resisted enacting Tier D, citing the “plain language” of the reform law, which says the changes “must be approved by the legislature.” The mandate comes at the end of a 70-word sentence that could be interpreted more than one way. In a message posted on its website, after being asked about the lawsuit by The San Diego *Union-Tribune*, the pension system said it could not legally adopt the lower benefits at this time. “SDCERA has a fiduciary duty to administer the plan according to the law,” the statement says. “By requiring the county to satisfy all the requirements of PEPRA prior to implementing Tier D, SDCERA is following its constitutionally mandated duty to the plan and its members and beneficiaries.” Supervisor Dianne Jacob, who also serves as chairwoman of the county pension board and voted in favor of enhanced retirement benefits in 2002, said that she sounded the alarm about increasing pension liabilities in her state of the county speeches in 2009, 2014 and last year. “While we have already made significant changes to reduce pension costs, we worked with our labor organizations to secure an even lower pension tier for new employees,” said Jacob, who voted in favor of suing the retirement board she chairs. “Clearly there is a disagreement between the county and SDCERA, and it needs to be resolved in order to protect further taxpayers and safeguard the health of the pension system.” San Diego County notes in its court filing that the reduced retirement benefits were approved as part of larger agreements with its unions during collective bargaining sessions last summer. “Various labor organizations have entered into binding agreements with the county in which they agreed to accept the Tier D formula for new employees in exchange for significant wage and benefit increases,” the lawsuit states. It was not immediately clear whether the enhanced wages and benefits would persist if Tier D is not implemented. The Services Employees International Union Local 221, which represents thousands of county workers, said it was aware of the lawsuit. “We are monitoring it closely,” union President David Garcias said in a statement. “We will wait to see what the

resolution is.” If the county does not prevail in court, supervisors are expected to pursue legislative approval for Tier D.

6. WHO PARTICIPATES IN RETIREMENT PLANS, 2014:

Investment Company Institute has released a new research perspective, titled, “Who Participates in Retirement Plans, 2014.” Most workers who are likely to have the ability to save for retirement and to be focused primarily on saving for retirement participate in an employer-sponsored retirement plan. Of those most likely to save for retirement in the current year, 77 percent participated in an employer plan, either directly or through a spouse. Younger and lower-income households are more likely to report that they save primarily for reasons other than retirement—for example, a home purchase, for the family or education. Economic analysis suggests that these preferences are rational. Older and higher-earning workers are more likely to save primarily for retirement and thus are more likely to prefer having a portion of their compensation in the form of retirement benefits rather than fully in cash. Retirement plan participation increases with age and income; consistent with their stated reasons for saving, younger and lower-income workers are less likely to participate. Among all workers aged 26 to 64 in 2014, 63 percent participated in a retirement plan either directly or through a spouse. That percentage ranged, however, from 53 percent of those aged 26 to 34 to 68 percent of those aged 45 to 64; and from 24 percent for those with adjusted gross income (AGI) less than \$20,000 per person to 85 percent for those with AGI of \$100,000 per person or more. Tabulations of administrative tax data offer an alternative source for retirement plan participation statistics. The need for a more reliable measure of retirement plan participation has increased given recent changes to the survey that provides the most commonly cited statistics on retirement plan participation, the Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS). Comparisons with tax data suggest that the ASEC understated the participation rate by about 5 percentage points from 2008 to 2013. Between 2013 and 2016, however, the ASEC participation rate fell 12 percentage points following a revision to the survey questionnaire—a drop that is not corroborated in any other data source. Increasing the share of workers who participate in retirement plans has been a primary focus of retirement policy. As the retirement industry and policymakers try to increase participation, it is important to understand which workers currently participate in employer-sponsored retirement plans and why certain employers offer, and certain employees

desire, compensation in the form of retirement benefits. This report uses newly available data—tabulations of administrative tax data published by the Internal Revenue Service (IRS) Statistics of Income Division (SOI)—to analyze participation in employer-sponsored retirement plans.¹ The SOI tabulations report various statistics for taxpayers who are wage and salary workers, inclusive of both private-sector workers and government workers. Among those statistics is the share of workers who are active participants in a retirement plan. To be an active participant in a retirement plan, a worker must have had contributions made on his or her behalf to a defined contribution (DC) plan (either employer or employee contributions), or have been eligible to participate in a defined benefit (DB) plan. Statistics of Income Division Form W-2 Study offers an alternative to the traditional measures of retirement plan participation derived from household surveys. Research analyzing survey data matched with survey respondents' tax data finds that household surveys understate retirement plan participation. Furthermore, recent changes to the source of the most commonly cited statistics on employer plans—the Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS)—appear to have made matters worse. The redesigned ASEC resulted in “unexplainable decreases in the participation level” that were inconsistent with other survey data. In fact, the changes to the survey caused ICI to discontinue an annual research report on retirement plan participation and coverage that used ASEC data. The SOI tabulations show that the share of workers participating in retirement plans increases with both age and income. Overall, among all working taxpayers aged 26 to 64 in 2014, 56 percent were active participants in a retirement plan (DB, DC, or both), and 63 percent were either active participants or had a spouse who was an active participant. However, the share of workers who were active participants in a retirement plan or had a spouse who was an active participant was higher for older workers (68 percent for workers aged 45 to 64), and higher still for older workers with more income (77 percent for workers aged 45 to 64 with adjusted gross income [AGI] of \$30,000 or more). The overall participation rate understates the importance to retirees of the resources generated by employer-sponsored retirement plans because it only provides a snapshot of participation at a single point in time. Many of the younger and lower-income workers who do not participate in a retirement plan today will participate later in their working career, as younger workers do not remain young and many lower-income workers do not remain lower-income for their entire career. As a result, a much higher percentage of workers reach retirement having accumulated resources from these

plans than participate in a retirement plan in any given year. For example, 81 percent of working households aged 55 to 64 in 2016 had accrued benefits in a DB plan, accumulated assets in a DC plan or individual retirement account (IRA), or both.

7. WEALTHIER INVESTORS CANNOT ESCAPE RETIREMENT HEALTH COST CONCERNS:

Seventy-seven percent of U.S. wealthy investors say health is more important than wealth, and 57% are worried their health will deteriorate in the next 10 years reports Lee Barney. Sixty-nine percent of high-net-worth (HNW) investors in the U.S. worry about how they will cover [health care costs](#) in their later years, as longevity continues to expand, UBS found in a survey. This compares to 52% of HNW investors around the world who share the same view. Nonetheless, globally, 92% of these HNW investors believe that their wealth has helped them live a healthier life. The figure is only just slightly lower, 91%, in the U.S. UBS says that for investors with more than \$10 million, their [health care costs](#) will be four times higher than those with fewer assets. This is because they spend more on preventive services. Across the globe, 53% of wealthy investors believe they will live to be 100. In the U.S., 49% of these investors would like to live that long, but only 30% expect to. Fifty-two percent of wealthy investors in the U.S. believe that working longer is good for their health; around the world, this figure is 77%. Due to longevity, 75% of U.S. wealthy investors plan to make financial changes. Around the world, this figure is 91%. Seventy-seven percent of U.S. wealthy investors say health is more important than wealth, and 57% are worried their health will deteriorate in the next 10 years. The average wealthy U.S. investor would sacrifice 27% of their wealth to live an extra 10 years of healthy life. Seventy-one percent of wealthy Americans would rather live one year longer and leave a smaller inheritance. Fifty-six percent would like to live as long as they are mentally capable, even if their physical health deteriorates. By comparison, 29% would like to live longer if physically but not mentally capable. These findings are based on a survey of nearly 5,500 HNW individuals that UBS conducted in 10 markets around the globe.

8. HOW 6 TYPES OF RETIREMENT INCOME ARE TAXED:

Consider the tax tab your income sources will generate in retirement. One of the biggest mistakes, According to Sandra Blocks, retirees make when calculating their living

expenses is forgetting how big a bite state and federal taxes can take out of savings. And how you tap your accounts can make a big difference in what you ultimately pay to Uncle Sam. Conventional wisdom has long held that you should tap taxable accounts first, followed by tax-deferred retirement accounts and then your Roth. This strategy makes sense for many retirees, but be careful if you have a lot of money in a traditional IRA or 401(k). When you turn 70 ½, you will have to take required minimum distributions (RMDs) from the accounts. If the accounts grow too large, mandatory withdrawals could push you into a higher tax bracket. To avoid this problem, you may want to take withdrawals from tax-deferred accounts earlier. Here are how retirement assets are taxed:

- Tax-deferred accounts. Prepare to feel pain. Withdrawals from traditional IRAs and your 401(k) will be taxed as ordinary income, which means at your top tax bracket.
- Taxable accounts. Profits from the sale of investments, such as stocks, bonds, mutual funds and real estate, are taxed at capital-gains rates, which vary depending on how long you have owned the investments. Long-term capital-gains rates, which apply to assets you have held longer than a year, can be quite favorable: If you are in the 10% or 15% tax bracket, you will pay 0% on those gains. Most other taxpayers pay 15% on long-term gains. Short-term capital gains are taxed at your ordinary income tax rate. Interest on savings accounts and CDs and dividends paid by your money market mutual funds are taxed at your ordinary income rate. Interest from municipal bonds is tax-free at the federal level.
- Roth IRAs. Give yourself a high five if your retirement portfolio includes one of these accounts. As long as the Roth has been open for at least five years and you are 59 ½ or older, all withdrawals are tax-free. In addition, you do not have to take RMDs from your Roth when you turn 70 ½.
- Social Security. Many retirees are surprised—and dismayed—to discover that a portion of their Social Security benefits could be taxable. Whether or not you are taxed depends on what is known as your provisional income: your adjusted gross income plus any tax-free interest plus 50% of your benefits. If provisional income is between \$25,000 and \$34,000 if you are single, or between \$32,000 and \$44,000 if you are married, up to 50% of your benefits is taxable. If it exceeds \$34,000 if you are single or \$44,000 if you are married, up to 85% of your benefits is taxable.

- Pensions. Payments from private and government pensions are usually taxable at your ordinary income rate, assuming you made no after-tax contributions to the plan.
- Annuities. If you purchased an annuity that provides income in retirement, the portion of the payment that represents your principal is tax-free; the rest is taxable. The insurance company that sold you the annuity is required to tell you what is taxable. Different rules apply if you bought the annuity with pretax funds (such as from a traditional IRA). In that case, 100% of your payment will be taxed as ordinary income.

9. MISSED THE TAX-FILING DEADLINE? IRS ISSUES TIPS ON WHAT TO DO:

While the federal income tax-filing deadline has passed for most people, there are some taxpayers still facing tax-related issues. This includes people who still have not filed, people who have not paid their taxes or those who are waiting for their tax refund.

The IRS offers these tips for handling some typical after-tax-day issues:

There is no penalty for filing a late return after the tax deadline if a refund is due. Penalties and interest only accrue on unfiled returns if taxes are not paid by April 18, 2018. The IRS provided taxpayers an additional day to file and pay their taxes following system issues that surfaced early on the April 17, 2018 tax deadline. Anyone who did not file and owes tax should file a return as soon as he can and pay as much as possible to reduce penalties and interest. For those who qualify, IRS Free File is still available on IRS.gov through Oct. 15 to prepare and file returns electronically. Filing soon is especially important because the late-filing penalty on unpaid taxes adds up quickly. Ordinarily, this penalty, also known as the failure-to-file penalty, is usually 5 percent for each month or part of a month that a return is late. But if a return is filed more than 60 days after the April due date, the minimum penalty is either \$210 or 100 percent of the unpaid tax, whichever is less. This means that if the tax due is \$210 or less, the penalty is equal to the tax amount due. If the tax due is more than \$210, the penalty is at least \$210. In some instances, a taxpayer filing after the deadline may qualify for penalty relief. If there is a good reason for filing late, be sure to attach an explanation to the return. Alternatively, taxpayers who have a history of filing and paying on time often qualify for penalty relief. A taxpayer will usually qualify for this relief if they have not been assessed penalties for the past three years and meet other requirements. For more information, see the first-time penalty abatement page on IRS.gov. The [“Where’s My Refund?”](#) tool is available on

IRS.gov, IRS2Go and by phone at 800.829.1954. To use this tool, taxpayers need the primary Social Security number on the return, the filing status (Single, Married Filing Jointly, *etc.*) and the expected refund amount. The tool updates once daily, usually overnight, so checking more frequently will not yield different results. Because of the far-reaching tax changes taking effect this year, the IRS urges all employees, including those with other sources of income, to perform a paycheck checkup now. Doing so now will help avoid an unexpected year-end tax bill and possibly a penalty. The easiest way to do that is to use the newly-revised Withholding Calculator, available on IRS.gov. Taxpayers who owe taxes can view their balance, pay with IRS Direct Pay, by debit or credit card or apply online for a payment plan, including an installment agreement. Before accessing their tax account online, users must authenticate their identity through the Secure Access process. Several other electronic payment options are available on IRS.gov/payments. They are secure and easy to use. Taxpayers paying electronically receive immediate confirmation when they submit their payment. Also, with Direct Pay and EFTPS, taxpayers can opt in to receive email notifications about their payments. After filing their return, taxpayers may determine that they made an error or omitted something from their return. Usually an amended return is not necessary if a taxpayer makes a math error or neglects to attach a required form or schedule. Normally the IRS will correct the math error and notify the taxpayer by mail. Similarly, the agency will send a letter requesting any missing forms or schedules. Taxpayers can use the Interactive Tax Assistant -- Should I File an Amended Return? – to help determine if they should file an amended return to correct an error or make other changes to their return. Form 1040X, Amended U.S. Individual Income Tax Return, must be filed by paper and is available on IRS.gov/forms at any time. Those expecting a refund from their original return, should not file an amended return before the original return has been processed. File an amended tax return to change the filing status or to correct income, deductions or credits shown on the originally-filed tax return. Use "Where's My Amended Return?" tool to track the status of an amended return. Normally, status updates are available starting three weeks after the amended return is filed. Allow up to 16 weeks for processing. An IRS notice or letter will explain the reason for the contact and give instructions on how to handle the issue. Most questions can be answered by visiting "Understanding Your Notice or IRS Letter" on IRS.gov. Taxpayers can call the phone number provided in the notice if they still have questions. If the issue cannot be resolved with the IRS through normal channels, contact the local Taxpayer Advocate

Service office or call 877.777.4778. The IRS will never make an initial, unsolicited contact via email, text or social media on filing, payment or refund issues. The IRS initiates most contacts through regular mail delivered by the United States Postal Service. Any email that appears to be from the IRS about a refund or tax problem is probably an attempt by scammers to steal personal or financial information. Forward the e-mail to phishing@irs.gov. IR-2018-102, April 23, 2018

10. S&P 1500 PENSION FUNDED STATUS DECREASED BY ONE PERCENT IN MARCH:

The estimated aggregate funding status of pension plans sponsored by S&P 1500 companies decreased by one percent in March 2018 to 87% at the end of the month, as a result of losses in the equity markets. As of March 31, 2018, the estimated aggregate deficit of \$286 billion USD increased by \$24 billion USD as compared to the \$262 billion USD measured at the end of February according to Mercer. The S&P 500 index decreased 2.7 percent and the MSCI EAFE index decreased 2.2 percent in March. Typical discount rates for pension plans as measured by the Mercer Yield Curve decreased by 5 basis points to 3.92 percent. March snapped a streak of funded status gains dating back to August 2017, as it fell back slightly. During this period, interest rates and equity valuations have both risen markedly. Plan sponsors should look to see if their pension policies are aligned for current market conditions. While the drop in funded status for March was small, history has shown it is a question of when, not if, funded status volatility will return.” Mercer estimates the aggregate funded status position of plans sponsored by S&P 1500 companies on a monthly basis. The estimates are based on each company’s latest available year-end statement and by projections to March 31, 2018 in line with financial indices. The estimates include US domestic qualified and non-qualified plans, along with all non-domestic plans. The estimated aggregate value of pension plan assets of the S&P 1500 companies as of February 28, 2018 was \$1.97 trillion USD, compared with estimated aggregate liabilities of \$2.23 trillion USD. Allowing for changes in financial markets through March 31, 2018, changes to the S&P 1500 constituents, and newly released financial disclosures, at the end of March the estimated aggregate assets were \$1.95 trillion USD, compared with the estimated aggregate liabilities of \$2.23 trillion USD.

11. ESTIMATE YOUR BENEFITS TODAY FOR A SECURE TOMORROW:

Whether you are retiring soon or you will be in the work force for several more years, it is important to prepare for what the future holds. That is where Social Security comes in. Social Security puts you in control with secure access to your information anytime, anywhere. You can get estimates based on your own earnings record to help you plan for retirement with our [Retirement Estimator](#). It is a convenient, secure, and quick financial planning tool that allows you to receive the most accurate estimate of your future retirement benefits. Go check out our [Retirement Estimator](#) today to stay informed about your retirement options.

12. 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.

13. LEXOPHILES:

When fish are in schools, they sometimes take debate.

14. INSPIRATIONAL QUOTES:

Life is 10% what happens to me and 90% of how I react to it. – Charles Swindoll

15. TODAY IN HISTORY:

- On this day in 1940, Winston Churchill succeeds Neville Chamberlain as British Prime Minister.
- On this day in 1994, Nelson Mandela sworn in as South Africa's 1st black president.

16. THINK YOU KNOW EVERYTHING:

Airports at higher altitudes require a longer airstrip due to lower air density.

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