



# CYPEN & CYPEN

## NEWSLETTER

for

## July 12, 2018

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

### **1. CUTTING PUBLIC PENSION BENEFITS WOULD HURT THE ECONOMY:**

In its latest installment of ongoing research on the impact of public pensions on the U.S. economy, the National Conference on Public Employee Retirement Systems (NCPERS) set out to quantify the risk that reducing or even dismantling public pension benefits will ultimately backfire. In its study, [“Unintended Consequences: How Scaling Back Public Pensions Puts Government Revenues at Risk,”](#) NCPERS found the economy grows by

\$1,088 for each \$1,000 of pension fund assets. While the figure sounds small on the surface, the size of pension fund assets—\$3.7 trillion in 2016—means that the impact of this growth is greatly magnified. The [economic and revenue impact of pension assets](#) in high-population states like California, Florida, New York, and Texas are particularly significant. However, economies and revenues of even some small states benefit significantly from investment of their pension fund assets. The impact of investment of assets plus spending of pension checks by retirees in 2016 yielded a \$1.3 trillion contribution to the economy and \$277.6 billion to state and local revenues. Also during 2016, taxpayer contributions to state and local pension plans in the same year totaled \$140.3 billion. Thus, pension funds generated \$137.3 billion more in revenues than taxpayers contributed. While some funding of public pensions come from taxpayers, it should be understood that it is part of the compensation of workers providing public services, the report says. “If these services were privatized, they would cost taxpayers more. The goal of private companies is to make profit. The goal of a public service is to ensure the public good,” the research report states. “Our findings are a powerful rebuke to the popular [argument that taxpayers cannot afford public pensions](#),” says Michael Kahn, NCPERS’s research director and author of the study. “The evidence shows that if public pensions did not exist, taxpayers not only would not save money; they would have to cover a severe annual revenue shortfall.” Kahn noted that the study also found that in 38 states, pensions are net contributors to revenue. “Pensions are a long-term investment, and it is a mistake to evaluate them through the lens of short-term political expediency,” says Hank H. Kim, executive director and counsel of NCPERS. “Even worse than a mistake, it is a great disservice to the hardworking public servants who have faithfully paid into their pension plans even when the governments that employ them opted to take break from fulfilling their own obligations.” He noted that employer and employee contributions plus investment returns contribute steadily to public pension funds’ growth.

## **2. THE “PENSION CRISIS” IS A MYTH, PART EIGHT:**

Tylor Bond has posted another chapter explaining roots behind the false pension crisis narrative. [Defined benefit pensions](#) provide the most secure and reliable retirement for working families. DB pension plans are offered in both the public and the private sectors. Despite sharing the same basic plan design, there are a number of important differences between DB plans in these two sectors. Many of these differences are due to the nature of

the employers in the public and private sectors. In some cases, these differences are ignored in order to promote the false narrative of a “pension crisis.” Private companies can and do go out of business. This is not news to anyone. Public employers, such as school districts, fire departments, and municipalities, do not go out of business. Even in the very rare instances of a municipal bankruptcy, the municipalities do not go away. Why does this distinction between public and private employers matter? It matters when it comes to the pension obligations of these different types of employers. When an employer chooses to offer a pension plan to its employees, it assumes the responsibility for managing and operating that plan. The crucial question in the private sector is: who is responsible for managing that pension plan if the company goes out of business? This is a very real question. During the middle of the twentieth century, a number of corporate closings, most notably Studebaker, led to former employees losing most or all of their pension benefits. This led directly to the passage of the Employee Retirement Income Security Act (ERISA) and the creation of the Pension Benefit Guaranty Corporation (PBGC). The issue is very different in the public sector. Public pension plans are authorized by state law. In many states, smaller government employers participate in large, statewide pension plans. There is not really a question of public employers going out of business and public employees losing their pension benefits. This is why a recent action by some in the actuarial community is so concerning. A small, but vocal group is advocating for a change to what is known as the “Actuarial Standards of Practice (ASOP).” These standards govern the work of actuaries of all types. The proposed change would require actuaries to calculate what is known as a “defeasement number” for public pension plans. A defeasement number is basically what it would cost, in total, for an employer to close its plan and pay an insurance company to take care of its pension obligations (basically, a ‘sell price’). The problem is that this is a meaningless number for almost all public plans, as they are neither closing their plans nor selling them to insurance companies. Due to various constitutional and legal obligations, it is impossible for most public plans to shut down. This means the defeasement number has no value: it is calculating a hypothetical number for something that could never happen in real life. An actuary could tell a local government entity that it would cost, for example, \$10 billion to pay out the pension benefits it owes, but if the state constitution protects accrued pension benefits, then that \$10 billion number is meaningless because the plan cannot just shut down and be sold off. Why would actuaries change the ASOPs to require the calculation of a defeasement number for

public plans? It seems to be an instance of caving to political pressure. The sinister view says that opponents of public pensions are pushing for this because they know they can use the meaningless defeasement number to scare politicians. Opponents of public pensions love the “big, scary number.” In the aftermath of the financial crisis, anti-pension ideologues claimed that the sky was falling and that public pensions would immediately go bankrupt. Needless to say, that did not happen, but these anti-pension actors scared a lot of politicians with overblown rhetoric about public plans. The same thing could happen with these proposed defeasement numbers. Seeing such a large number could spook politicians, even if the number represents something that could never actually happen. This fear could lead these politicians to push for harmful changes to public pensions that guts retirement security for public employees and increases costs for taxpayers. Supporters of public pensions should be very wary of this push to mandate actuaries to calculate a defeasement number for public pension plans. There is already a lot of misunderstanding about public plans. Adding a large, meaningless, made-up number to the mix would only make the situation more confusing. Opponents of public pensions would be sure to use the defeasement number to mislead the public and politicians. Additionally, pension plans would have to pay for actuaries to calculate this number. They should not be required to pay for a meaningless number to be used as political ammunition against them. If this change to the ASOPs is adopted, actuaries could unknowingly help promote the false narrative of the pension crisis myth.

### **3. SURVIVING FINANCIALLY TO AGE 85 INCREASES RETIREMENT CONFIDENCE:**

According to Rebecca Moore, seventy-eight percent of retirees ages 85 and older say they are at least somewhat secure in their finances, with 33% reporting they are very secure, according to a [Society of Actuaries \(SOA\) survey](#). By comparison, the [SOA's ninth biennial Risks and Process of Retirement Survey](#) identified an overall increase in the level of concern for finances among respondents ages 40 to 80. A significant number of retirees and pre-retirees reported in that survey that they feel unprepared to navigate financial shocks and unexpected expenses. The new survey suggests that if retirees are able to survive financially to age 85, concerns about finances drop significantly. Most of those ages 85 and over are comfortable with their finances for a couple of reasons: They have a shorter time horizon than at an earlier stage of retirement and no longer think about longevity as a big factor in their finances, and they also tend to be frugal and do not have

a large amount of expense to cover. “These older Americans have learned to balance income and spending in the short run, and this has become integral to their financial management process,” the survey report says. Almost all respondents (96%) receive Social Security income and about half (53%) receive income from a pension. The SOA found that even though most have incomes of less than \$2,000 per month, they usually do not spend more than their income. Most report spending less now than they did in the past, especially on travel and entertainment. And, while most have far fewer assets than might be recommended, they use these assets as an emergency fund that they do not tap often at their current age except to take the required minimum distribution, which they do not necessarily spend. Those 85 and older do not often report that financial shocks, such as increased utility bills (23%) home repairs (13%), medical expenses (19%), car repairs (5%), or dental bills (13%), have a major impact on their finances. In comparison, 61% of pre-retirees and 47% of retirees feel unprepared for expenses in retirement that could deplete their assets, based on the previous SOA survey of consumers ages 45 to 80. Eighty-six percent of retirees ages 85 and older report receiving no financial aid support from family, although 32% receive support with physical activities such as transportation, meals or household chores. While the SOA did find greater financial security among older retirees, one thing it found lacking was preparation for long-term care needs. Despite the relatively modest asset levels of the population sampled, a significant number feel that they can save for long-term care by cutting back on spending and putting money away. “Some of the unrealistic financial expectations of this population may stem from a lack of acceptance of what long-term care may involve some day. A significant number of those ages 85 and over receive some type of physical support from their children. The in-depth interviews suggest that many understand that the level of support will have to increase as they age—they simply don’t understand how extensive the help needed would be in the event of a major physical or mental decline. While most people would prefer to be cared for at home, among adult children who have parents requiring care, most of those parents ended up in assisted living or a nursing home. It seems that the care pieced together by aides/home health workers and children eventually falls apart. Thus, while most of those 85 and over can manage financially while healthy, they are not prepared for the financial burden of intensive care,” the SOA says. But, the findings suggest hope for future generations. More than one-quarter of adult children say that caring for a parent has taught them to better prepare financially.

#### **4. TWO-INCOME FAMILIES, TAXPAYERS WORKING MULTIPLE JOBS SHOULD CHECK WITHHOLDING AMOUNT:**

The Internal Revenue Service urges two-income families and those who work multiple jobs to complete a “paycheck checkup” to verify they are having the right amount of tax withheld from their paychecks. The IRS [Withholding Calculator](#) can help them navigate the complexities of multiple employer tax situations and determine the correct amount of tax for each of their employers to withhold. The passage of the Tax Cuts and Jobs Act, which will affect 2018 tax returns that people file in 2019, makes checking withholding amounts even more important. These tax law changes include:

- Increased standard deduction
- Eliminated personal exemptions
- Increased Child Tax Credit
- Limited or discontinued certain deductions
- Changed the tax rates and brackets

Individuals with more complex tax profiles, such as two incomes or multiple jobs, may be more vulnerable to being under-withheld or over-withheld following these major law changes. The IRS encourages a “paycheck checkup” as early as possible to help taxpayers check if they are having the correct amount withheld for their personal financial situations. If a taxpayer needs to adjust their paycheck withholding amount, doing so earlier gives more time for withholding to take place evenly throughout the year. Waiting means there are fewer pay periods to make the tax changes – which could have a bigger effect on each paycheck. The tax law changes generally don’t affect 2017 returns that people are filing in 2018. The changes affect 2018 returns, which taxpayers will file in 2019.

#### **Withholding Calculator**

The Withholding Calculator is the easiest, most accurate way for taxpayers with these complicated tax situations to determine their correct withholding amount. The tool allows users to enter income from multiple jobs or from two employed spouses. It also ensures that these taxpayers apply their 2018 tax deductions, adjustments and credits only once – rather than multiple times with different employers. The calculator will recommend how to complete a new Form W-4 for any or all of their employers, if needed. If a couple or

taxpayer is at risk of being under-withheld, the calculator will recommend an additional amount of tax withholding for each job. Taxpayers can enter these amounts on their respective Forms W-4. To use the Withholding Calculator, taxpayers should have their 2017 tax returns and most recent paystubs available. The calculator does not request personally identifiable information, such as name, Social Security number, address or bank account numbers. The IRS does not save or record information entered in the calculator. Taxpayers should watch out for tax scams, especially via email or phone, and be especially alert to cyber-criminals impersonating the IRS. The IRS does not send emails related to the calculator or the information entered. Withholding Calculator results depend on the accuracy of information entered. Taxpayers whose personal circumstances change during the year should return to the calculator to check whether their withholding should be adjusted.

### **Adjusting Withholding**

Employees who need to complete a new Form W-4 should submit it to their employers as soon as possible. Employees with a change in personal circumstances that reduce the number of withholding allowances must submit a new Form W-4 with corrected withholding allowances to their employer within 10 days of the change. As a general rule, the fewer withholding allowances an employee enters on Form W-4, the higher their tax withholding. Entering “0” or “1” on line 5 of the W-4 means more tax withheld. Entering a larger number means less tax withholding, resulting in a smaller tax refund or potentially a tax bill or penalty.

IR-2018-124, May 24, 2018.

## **5. THE FIVE WAYS TO FIGHT ELDER ABUSE, NEGLECT AND FINANCIAL EXPLOITATION:**

As Americans, we believe that people of all ages and abilities deserve to be treated fairly and equally, and to live free from abuse, neglect or financial exploitation. On June 15, 2018, [World Elder Abuse Awareness Day](#), we joined the world in recognizing the importance of elders to our communities and standing up for their rights. Here are five ways you can join this fight.

### **Break Down Isolation**

We cannot talk about elder abuse without talking about social isolation. Elders without strong social networks face a greater risk of abuse, neglect, or exploitation. It is up to all of

us to ensure that our communities are supporting and engaging older adults. One simple way to do this is by staying in touch with the older adults in your community. So go ahead and knock on your neighbor's door just to say "hi" or start an intergenerational book club or movie night. You can also support community efforts to empower elders and fight isolation; act by volunteering to deliver meals or serve as a long-term care ombudsman.

### **Learn to Spot "Red Flags"**

There are a number of ["red flags"](#) that could suggest the presence of elder abuse.

Examples include:

- Isolation (especially by a caregiver);
- Unpaid bills or utilities that have been turned off;
- Unusual or quick changes in a will or other financial documents;
- Missing medications; and
- Bruises or welts (especially on the face).

Even if you are not certain abuse is taking place, you can [report any suspicions of abuse](#) so a professional can investigate.

### **Connect With Resources in Your Community**

There are a variety of local resources in your community that help address elder abuse and social isolation. Adult Protective Services agencies investigate, and can respond to, suspected abuse. Long-Term Care Ombudsman programs advocate for residents of care facilities. Area Agency on Aging and Aging and Disability Resource Centers can offer meals, health and wellness programs, and caregiver support programs, and Older Americans Act Legal Services Providers can offer legal help. The [Eldercare Locator](#) (800.677.1116) can connect you to all of these programs.

### **Watch Out for Scams and Fraud**

Whether it is a foreign prince or a mystery caller with an exclusive "investment opportunity," scammers steal billions of dollars from seniors every year. Here are a few tips to help you protect yourself:

- Sign up for the Do Not Call Registry [online](#) or call 888.382.1222 to reduce telemarketing calls.
- If you suspect Social Security fraud, [report it online](#) or call 800.269.0271.
- Never give your credit card, banking, Social Security, Medicare or other personal

information over the phone unless you initiated the call.

- Check with a lawyer or trusted family member before signing any document you do not completely understand.

### **Talk About It**

Many older adults who face abuse, neglect, or exploitation feel guilty or ashamed about their experience. One study found that for every reported case of elder abuse, 23 cases go unreported. We must become more comfortable talking about abuse in a way that makes clear that everyone, no matter what their age, is worthy of dignity and respect. Victims should never feel embarrassed or feel that they are responsible for the abuse they experienced. You can find more [resources at the National Center on Elder Abuse](#), an Administration for Community Living resource center. Posted on June 14, 2018 by Lance Robertson, Assistant Secretary for Aging and Administrator, Administration for Community Living, United States Health and Human Services.

### **6. ROMAN CATHOLIC BISHOP AND HOSPITAL OPERATORS ACCUSED IN PENSION LAWSUIT:**

Lynn Arditi reports that The Roman Catholic Bishop of Providence, Rhode Island, and hospital operator Prospect Chartercare, LLC are among the defendants accused of conspiracy and fraud in two class-action lawsuits filed. The suits filed in state and federal courts accuse Bishop Thomas Tobin and hospital operators of deliberately underfunding St. Joseph Health Services's pension plan and then lying about the plan's financial condition to beneficiaries and state regulators. The plan -- which covers at least 2,700 current and former employees of Our Lady of Fatima Hospital and St. Joseph Health Services -- was left with no source of revenue when the Fatima hospital was sold in 2014 to Prospect Charter, the local arm of the California-based for profit Prospect Medical Holdings. The pension plan is currently in receivership, a form of bankruptcy. The Diocese, which founded the pension plan, denied any wrongdoing. "The Diocese of Providence strongly disagrees with the allegations asserted against it in this very long and complex lawsuit. As we have stated from the very beginning, we continue to be concerned about the well-being of all those affected by the pension situation, and we hope that this matter can be resolved quickly and justly. Nonetheless, the Diocese will respond appropriately to these claims and we are confident that our position will prevail." The pension was set up as a "church plan," which meant it was not federally insured and did

not have the same funding requirements as plans covered under the federal Employee Retirement Security Act or (ERISA). The [federal lawsuit](#), however, says the plan did not qualify as a church plan at least since 2009, meaning the plan's operators would have been required to meet specific funding thresholds. The suit, which asks for unspecified damages, names more than a dozen defendants, including the for-profit Californian-based parent of Chartercare, Prospect Medical Holdings, Inc.; Roger Williams Medical Center, LLC, The Rhode Island Community Foundation and the Angell Pension Group, Inc. Read the state superior court lawsuit [here](#). Read the federal court lawsuit [here](#).

### **7. RETIRING WORKFORCE LEAVES U.S. WITH FEWER WORKERS TO SUPPORT ELDERLY:**

The surge of retiring baby boomers is reshaping the U.S. into a country with fewer workers to support the elderly—a shift that will add to strains on retirement programs such as Social Security and sharpen the national debate on the role of immigration in the workforce. By 2017, there were 25 Americans 65 and older for every 100 people in their working years, according to new census figures that detail age and race for every county. The ratio would climb to 35 retiree-age Americans for every 100 of working age by 2030, according to census projections released earlier this year, and 42 by 2060, though currently unforeseen factors could alter that, according to *The Wall Street Journal*.

### **8. FOR YOUNG ADULTS, ECONOMIC SECURITY MATTERS FOR MARRIAGE:**

Young adults today have [low marriage rates](#), and economic security may play an important role in their likelihood to marry. Using five-year estimates from the American Community Survey (ACS 2012-2016), a new working paper entitled [“Millennial Marriage: How Much Does Economic Security Matter to Marriage Rates of Young Adults”](#) finds that socio-economic indicators associated with labor force participation, wages, poverty and housing (e.g., housing costs and living arrangements) all relate to marriage rates for young adults ages 18 to 34. Specifically, full-time employment, median annual wages for all types of workers, and owning a home were associated with higher marriage rates. At the same time, the poverty status of women, high housing costs, and living in the home of a parent were associated with lower marriage rates across counties. United States Census Bureau, Benjamin Gurrentz, Survey Statistician.

**9. 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.

**10. INSPIRATIONAL QUOTES:**

Nothing is impossible, the word itself says 'I'm possible!' Audrey Hepburn

**11. PUN TIME:**

Alternative facts are aversion of the truth.

**12. TODAY IN HISTORY:**

On this day in 1804, former United States Secretary of the Treasury [Alexander Hamilton](#) dies after being shot in a pistol duel by Vice President Aaron Burr

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